

**WILLIAM CRAMP & SONS SHIP & ENGINE
BUILDING COMPANY**

**INTERNATIONAL ELECTRIC MARINE TURBINE
COMPANY, INC.**

BRIEF FOR PETITIONER

**WILLIAM CRAMP
COMPANY, INC.**

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United States Supreme Court.

October Term, 1917.

No. 393.

WILLIAM CRAMP & SONS SHIP &
ENGINE BUILDING COMPANY,
Petitioner,

VS.

INTERNATIONAL CURTIS MARINE
TURBINE COMPANY, *et al.*,
Respondents.

Statement.

This case comes here upon writ of certiorari to the United States Circuit Court of Appeals for the Third Circuit, granted March 12, 1917 (243 U. S., 637).

The case has had a long history and petitions for the writ of certiorari have been presented twice before to this Court (228 U. S., 696, and 234 U. S., 755). On neither occasion did this Court pass on the point of law which is now in controversy, the only transactions there involved having occurred before the passage of the Act of Congress approved June 25, 1910, on which the present petition is based.

This is a suit for infringement of patent No.

566,969, which relates to steam turbines. After a decree in the District Court and an appeal, the Court of Appeals for the Third Circuit on May 1, 1914, adjudged claims 1 to 6, 8, 9 and 11 to be valid and infringed, and ordered an accounting.

The decree directed by the Circuit Court of Appeals was based on two contracts, numbered 30 and 31, entered into in 1908 between the defendant (here the petitioner) and the United States, by which the defendant undertook to build two torpedo boat destroyers for the Government to be equipped with steam turbines, which turbines the Court of Appeals held to be infringements of the patent in suit. At the accounting which followed, inquiry was made as to certain other contracts numbered 47 to 50 which were entered into in the year 1911, and which required the defendant to build certain steam turbines according to plans, specifications and drawings made a part of the contracts, and which plaintiffs (here the respondents) contended infringed upon said patent. (Tr. p. 5, fol. 7; p. 25, fol. 46.) The defendant made objection before the Master against any inquiry as to these contracts, stating as its reason that, by virtue of the Act of June 25, 1910 (as construed by this Court in the case of *Crozier v. Krupp*, 224 U. S., 290), the United States Government by eminent domain acquired the *right* to use the invention of the patent in suit, and that the Government had exercised that right by making the contracts for torpedo boat destroyers Nos. 47 to 50 in 1911, and therefore the transactions were not to be considered as within the scope of the accounting. (Tr., pp. 4, 5.) The Master overruled the

objection but certified the question to the District Court for its determination. The District Court, following the decision of the Circuit Court of Appeals for the Second Circuit in *Marconi v. Simon*, 231 F. R., 1021, decided that the objection to the admission of the testimony in regard to torpedo boat destroyers Nos. 47 to 50 was good and that evidence in regard thereto should be excluded. (Tr. 19.)

The plaintiffs in the court of first instance (respondents here) thereupon, on May 24, 1916, filed a petition to the Court of Appeals for the Third Circuit asking for a writ of certiorari or mandamus to be directed to the District Court to change its ruling and admit the evidence in regard to destroyers 47 to 50. (Tr. 23.) Before any action on this petition, this court, on June 12, 1916, granted a petition for the writ of certiorari in the case of *Marconi v. Simon* (October Term, 1916, No. 485, 241 U. S., 676), in which the same point of law was involved, namely, whether the Act of June 25, 1910, constituted a defense to a charge of patent infringement for a contractor with the United States Government, in respect to the thing specifically contracted for. Thereafter, on January 11, 1917, the Court of Appeals for the Third Circuit issued the order which appears on page 28 of the record, declaring that it would retain jurisdiction of the cause pending the determination of the *Marconi v. Simon* case in the Supreme Court, but directing the District Court to proceed with the accounting, thus in effect decreeing forthwith all that would have been decreed to plaintiffs if the petition had been granted in full after a hearing thereon.

It is upon this order of the Court of Appeals directing that an accounting proceed as to contracts 47 to 50 that the present petition to this court is based.

The point of law here involved is an important one, and the particular interests here involved are of importance not only to the parties but to the public, as is evidenced by the letter of the Secretary of the Navy to the defendant (petitioner here) suggesting the desirability of getting a ruling from this court. See Exhibit F, page 28 of the Petition to this Court seeking the writ of certiorari in this case.

The Crozier v. Krupp Case.

Since the Act of June 25, 1910, whenever the Government makes use of a patented invention, the patent owner can recover reasonable compensation by suit in the Court of Claims; in addition to this remedy, can he have an accounting for the profits of the contractor who has manufactured, at the Government's bidding, the device which the Government uses? This is the question now before your Honors. The answer to it is intimately bound up with, and, we respectfully submit, controlled by your decision and opinion in the case of *Crozier v. Krupp*, 224 U. S. 290.

In *Crozier v. Krupp*, the single question presented to this court for decision was as to the right of the patentee to enjoin Crozier, a salaried Government official, from making field guns and carriages for the Government.

1. Immaterial whether the agent is a salaried officer, or derives pecuniary benefit from his acts.

It was argued for the patentee that the court was not asked to deal with property of the United States, but only that an officer of the United States be restrained for the purpose of preventing a wrongful taking of private property, and that the act of the officer in wrongfully attempting to take the patentee's property could not be assumed to be a governmental act, but must be treated as an individual wrong. The Government contended that the suit was against the United States because the defendant was an officer of the army of the United States who derived no pecuniary benefit from the transaction, but this court decided that these contentions were made immaterial by the Act of June 25, 1910. This court said:

“Thus, the Government insists that although under the stipulation and the bill as amended, it resulted that no damages were sought in respect to use by the Government of the patented inventions, and no interference of any kind was asked with property belonging to the Government, nevertheless, the suit was against the United States, because the defendant was conceded to be an officer of the Army of the United States, engaged in the duty of making or causing to be made guns or gun carriages for the Army of the United States.”

And (p. 302):

“On the other hand, the plaintiff insists that the act of the officer in wrongfully attempting to take its property cannot be as-

sumed to be a governmental act, but must be treated as an individual wrong, which the courts have the authority to prevent."

Both of these contentions were brushed aside by this Court, as follows (p. 302):

"But we do not think, under the conditions which presently exist, we are called upon to consider the correctness of the theory upon which the Court of Appeals placed its decision or the soundness of the contentions at bar by which that theory is supported on the one hand or assailed on the other. We reach this conclusion because since October 7, 1908, when the decision of the Court of Appeals was rendered, the subject to which the controversy relates was dealt with by Congress by a law, enacted on June 25, 1910, 36 Stat., c. 423, p. 851."

It is thus clear that *Crozier v. Krupp*, was not decided upon the basis of Crozier being an officer upon salary who derived no pecuniary benefit from the infringement complained of, but with the express understanding that that fact became immaterial when Congress passed the Act of June 25, 1910.

2. *The transaction became in effect a licensed transaction.*

In explaining the effect of the Act, the Court clearly pointed out how it operates to protect the Government's officers against individual suit because their acts in behalf of the Government are made lawful. The Court said: (*Crozier v. Krupp*, p. 304):

"That is to say, it adds to the right to sue the United States in the Court of Claims already conferred when contract relations exist the right to sue even although no element of contract is present. And to render the power thus conferred efficacious the statute endows any owner of a patent with the right to establish contradictorily with the United States the truth of his belief that his rights have been in whole or in part appropriated by an officer of the United States, and if *he does so establish such appropriation that the United States shall be considered as having ratified the act of the officer* and be treated as responsible pecuniarily for the consequences. These results of the statute are the obvious consequences of the power which it confers upon the patentee to seek redress in the Court of Claims for any injury which he asserts may have been inflicted upon him by the unwarranted use of his patented invention and the nature and character of the defences which the statute prescribes may be made by the United States to such an action when brought. The adoption by the United States of the wrongful act of an officer is of course an adoption of the act when and as committed, and *causes such act of the officer to be, in virtue of the statute, a rightful appropriation by the Government, for which compensation is provided.* In substance, therefore, in this case, in view of the public nature of the subjects with which the patents in question are concerned and the undoubted authority of the United States as to such subjects to exert the power of eminent domain, the statute, looking at the substance of things, provides for *the appropri-*

ation of a license to use the inventions, the appropriation thus made being sanctioned by the means of compensation for which the statute provides." (Italics ours.)

3. *Because the transaction is licensed there can be no injunction.*

The Crozier case was commenced before the passage of the Act of 1910, but the plaintiff had by stipulation waived claim against Crozier for profits or damages. The Court of Appeals of the District of Columbia had taken jurisdiction of the case upon the theory that the Court had power to grant an injunction. In view of the intervening passage of the Act of 1910 and the stipulation, this Court said (p. 308):

"As a result, the case was confined solely to obtaining at the end of the suit a permanent injunction forbidding the making of, or causing to be made by the defendant, guns or gun carriages embodying the inventions owned by the complainant."

The stipulation (p. 299) also admitted that the defendant was directing and in charge of the manufacture of field guns and carriages for the United States. Thus the sole question for final decision was whether Crozier could, after the passage of the Act of 1910, be enjoined from *making* the alleged infringing devices for the Government.

The Court emphatically answered this question in the negative, saying that such injunction could not be granted because after the passage of the Act of 1910, the Government acquired a license. Consequently, the Government's license

protected Crozier in making the devices for the Government. The Court said (p. 308):

"Upon the hypothesis that the decree of the Court below remanding the case for further proceedings not inconsistent with its opinion was correct under the conditions existing when it was rendered, clearly *under the circumstances now existing, that is, the acquiring by the Government under the right of eminent domain, as the result of the statute of 1910, of a license to use the patented inventions in question, there could be no possible right to award at the end of a trial the permanent injunction to which the issue in the case was confined.* Moreover, taking a broader view and *supposing that a final decree granting a permanent injunction had been entered below, in view of the subject-matter of the controversy and the right of the United States to exert the power of eminent domain as to that subject, at most and in any event the injunction could rightfully only have been made to operate until the United States had appropriated the right to use the patented inventions, and as that event has happened the injunction, if granted, would no longer have operative force.*" (Italics ours.)

4. *The Court held by implication that there can be no accounting for profits or damages.*

The only theory upon which an accounting of profits or damages can be ordered in any patent suit, is upon the theory that defendant is an *infringer*. If an individual making devices for the Government is not an infringer there is no basis for a decree for either an accounting for damages and profits or an injunction.

It is clear that in *Crozier v. Krupp*, even if an accounting had not been waived, the Court would not have ordered an accounting for transactions after June 25, 1910, because such transactions would have been covered by the license of June 25, 1910, and consequently would have been non-infringing transactions.

It is submitted that the Crozier case establishes authoritatively that the Cramp Company, a manufacturer of a device for the Government according to Government specification cannot be regarded as an infringer.

5. *The ancillary right to make is covered by the right to use the invention.*

If the taking by the Government is under eminent domain, then it follows that the status of the Government is that of a rightful user, in effect a licensee, and the status of the Cramp Company is that of a maker for the licensee, protected by the license.

The language of the act makes it applicable to cases where an "invention" is "used," thus not confining it to the mere *use* of a *machine*. An *invention* is used when a machine or composition of matter is either made or used or sold, or when a process is practised.

Land, which is more generally the subject of eminent domain than any other class of property, is acquired for *use*, yet the statutes and authorities usually refer to the taking of the land. So in the Act the use of the invention is a taking of the invention.

That the language of the Act is broad enough to cover the *making* of a machine was decided in *Crozier v. Krupp* because in that case the matter in dispute was the *making* of field guns, by Cro-

zier, and not the *use* of the same by the Government, and the opinion at p. 306 refers to the purpose of the Act being to avoid "interference with the right of the Government to make and use."

Even if the statute had used the word "use" in the narrow sense of use of a machine, that would carry with it the implied right to have the machine made.

In *Illingworth v. Spaulding*, 43 F. R., 827, Judge Green for the District of New Jersey, said (p. 830):

"The right to use the guides upon disk-rolling machines implies the right to make them so that they may be used. Any other construction would put the defendants at the mercy of the complainant. If they could not rightfully make the guides, how could they exercise the right to use which had been granted them? From what source could they obtain the necessary guides? There is no obligation upon the complainant to supply them. He does not pretend that he made them for sale, or ever offered them to the public. And, if he declined to make them for the defendants, as he lawfully could, the result would be that the license would be defeated, and practically become null and void. I think the principle applicable to cases like this is well stated in Walker on Patents, Sec. 298:

"'An express license to use a limited or an unlimited number of specimens of a patented article, implies a right to make these specimens, and to employ others to make, and will protect those others in making, them for the use of the licensee.'"

"I think, in accordance with these de-

cisions, it must be considered that, by the license which he granted to the defendants, the complainant empowered them to make the guides which he authorized them to use."

In Woodworth v. Curtis, 2 Woodb. & M. 524, (Fed. case 18,013) the grant was as follows:

"I do license and empower the said Thomas H. Holland and his assigns to use one machine in Boston aforesaid."

In construing this license the Court says:

"The first question is, did this involve the right to make or procure to be made the machine thus permitted to be used? I think it did. Otherwise, the whole license might be defeated, if the grantor refused to make for him at all, or to make at any but an exorbitant price, or demanded another consideration for a right in the grantee to make for himself, under a license like this, to use one machine."

In *Steam Stone-Cutter Co. v. Shortsleeves*, 16 Blatchf., 381 (Fed. Case 13,334), the licensee was granted the right to use certain patented machines in a quarry. Judge Wheeler said:

"It is a maxim of the common law that anyone granting a thing impliedly grants that also without which the thing expressly granted cannot be had, * * * and it is as applicable to grants of rights under patents, whether assignments or mere licenses, as to any other subject, where the true intent is sought for. *Curtis on Patents*, paragraph 214.

"As this grant is now viewed, the right to make machines for the use expressly granted passed, and this would include the right to procure them to be made, *and cover the making them by the one procured to make them.*"

In *Porter Needle Co. v. National Needle Co.*, 17 F. R., 536, Judge Lowell in the District of Massachusetts said:

"A license to use a machine implies the right to make and own it."

In the case of *Dunlop Pneumatic Tyre Co., Ltd. v. North British Rubber Co., Ltd.*, British Patent Trade-Mark Cases, Vol. 21, p. 161, the license was a license to "use and exercise" the invention of a combination patent. Justice Byrne, in the Chancery Division of the High Court of Justice, said (p. 173):

"I think that the true meaning of the agreement is that the goods sold under the license must be manufactured by the licensees, but I also think that they are not the less manufactured by them within the meaning of the clause, if they are manufactured for them by a third party, and a price is paid for that."

It is also pertinent to note that the above cases, particularly *Illingworth v. Spaulding*, in its approval of Section 282 of Walker on Patents, *Stone-Cutter Co. v. Shortsleeves*, *Woodworth v. Curtis*, and *Dunlop Pneumatic Tyre Co. v. North British Rubber Co.*, expressly recognized the right of the licensee to have the device made for him by others than himself. To the same effect is *Montrose v.*

Mabie, 30 F. R., 234, in which Judge Brown said:

"A license to a man engaged in business to make and sell a patented article in his business generally, unless there were something else to restrict it, would manifestly be co-extensive with his business and would continue until his business was wound up. The licensee in such a case is not restricted to manufacturing with his own hands, or selling by his own personal efforts only. He may employ as many hands, and as many salesmen and agents as his business will admit. So long as the articles are made and are sold in his business, and for his use and benefit, the sale would be within the license, though effected by the hands of hundreds of different agents and employees."

And the cases above cited expressly state the immunity of the maker for the licensee.

Thus Sec. 298 of Walker on Patents, cited in *Illingworth v. Spaulding*, 43 F. R., 827, states that the license

"will protect those others in making them for the use of the licensee."

Judge Wheeler in *Steam Stone-Cutter v. Shortsleeves* (Fed. Case, 13,334) says the license will

"cover the making them by the one procured to make them."

And Judge Taft in *Thomson-Houston v. Ohio Brass Co.*, 80 F. R., 720, says that a manufacturer

"may make such a machine upon the order of a patentee or licensee, but not otherwise."

The language of the Circuit Court of Appeals for the Third Circuit in the case of *Johnson Railroad Signal Co. v. Union Switch & Signal Co.*, 55 F. R., 487, is directly in point. The Court said (p. 487) :

"As respects the first, the facts are that the railroad company, first named, having acquired a right by license to make and use the signals on its lines, contracted with the appellant to make and erect them for a stipulated compensation, and that the latter did make and erect them accordingly. *This was not a violation of the appellee's rights.* The appellee, however, claims that it was, because the transaction, as it thinks, constituted a sale within the meaning and prohibition of the patent laws. A contract to make and deliver specified articles for a given sum, is held under the statute of frauds not to constitute a sale, but simply an agreement for materials and labor. *Mixer v. Howarth*, 21 Pick. 205; *Spencer v. Cone*, 1 Metc. (Mass.), 283; *Goddard v. Binney*, 115 Mass., 450. It is unimportant here, however, by what name the transaction is designated. No injury resulted to the appellee. The appellant did for the railroad company, at its instance, only what the latter had a right to do under its license. The suggestion that it could not employ others to make the signals for its use, but must make them itself at its own shops, by its own workmen, is unwarranted by anything found in the license, or elsewhere. As it had a right to

make them, the appellee is not interested in the place or manner of its exercise. Nor is there any support for the suggestion that the appellee is entitled to a profit on the manufacture. The right to such profit passed with the license, irrespective of the individual who might do the work." (Italics ours.)

In accordance with the foregoing authorities, the Government after June 25, 1910, became a licensee to use the invention of the patent in suit. As such it had full right to have the devices made for it by others, who were protected by the license. The fact that the defendant may make a profit out of the making "was not a violation of the appellee's (plaintiff's) rights," and the plaintiff is not entitled "to a profit on the manufacture." "The right to such profit passed with the license, irrespective of the individual who might do the work."

Having reference to the foregoing line of cases, our opponents have contended that they are to be distinguished from the present case on the ground that they involved express contracts, whereas here we deal with a law that defines a government right to take property. But the general principle under which the foregoing cases were decided is broad enough to cover such cases as the one at bar. In *Gelpcke v. Dubuque*, 1 Wallace 220, it was said:

"What is implied in a statute is as much a part of it as what is expressed."

Wilson v. Bank, 103 U. S., 770, is a case that affords a close parallel to the present case. There a Tennessee statute did not explicitly

authorize the county to issue bonds, but provided that subscriptions to the capital stock of a certain railroad company might be taken in county bonds. The Court said:

"We think, therefore, that the power of the county * * * to issue bonds in payment of stock * * * is beyond question."

If the authorization to subscribe bonds in payment for stock implies the right to issue the bonds, just so the authorization to use the apparatus of a patented invention implies the right to have made the apparatus to be used.

In *Brooks v. United States*, 39 Ct. Cls., 494, a contract with the Government for the building of certain vessels contained provisions which (as in the case at bar) could not be carried out unless the contractor in constructing the vessels used a certain patented method. It was held that the patentee had an implied contract with the Government. But the Government contended that as only the contractor used the patented method, the Government was not liable. The Court of Claims held that the use of the method by the contractor in the construction of the vessels was a taking by the Government, thus rendering the Government liable under the implied license. Speaking through Mr. Justice Peelle, the Court said:

"The first question, therefore, is, What is a taking within the meaning of that clause of the Constitution? We think it may be regarded as settled law that where an officer of the Government, having authority to act, takes or appropriates to public use property, admitting it to be private property, an

implied contract will arise to make compensation.

• • •

"But when the Government, by its proper officer, having authority to use and appropriate a patented invention, the ownership of which it concedes in the patentee, obligates a contractor, in express terms, to use such invention, it is bound to know that such contract cannot be executed without the use and consequent taking of such invention; and having been so taken, the Government cannot successfully defend on the ground that the use by the contractor was an infringement for which no liability attaches to the Government, for the reason that the taking was by direction of the Government with the consent of the owner of the patent.

• • •

"It would seem that when the United States required the contractor to use the claimant's invention, nothing was left to consummate the taking but the execution on the part of the contractor of the operative or mechanical act of its use. It is in analogy as if the Government had employed the contractor to carry out its predetermined purpose in the use of the particular method of caulking and thereby meditately instead of immediately, reached the result.

"The taking was not of a thing having physical existence, like lands or cattle, but was of an 'exclusive right' secured to the claimant by the Constitution (Art. I, Sec. 8), which gives such right the character of property. And the laws which have been passed to give effect to that purpose have been construed, as Chief Justice Marshall said they ought to be, 'in the spirit in which

they were made.' (*Grant v. Raymond*, 6 Pet., 218-242.)"

In the Brooks case the compensation awarded was upon the basis of an established license fee, which fee was a sum equal to the first cost of caulking the deck, the sum being paid for the privilege of employing the method *in the building of the ship*. The Court found in the VIth finding of fact that the license fee had been paid by other contractors for the privilege of so constructing similar vessels, and that (finding IX) such fee was reasonable "for the use of the claimant's method of caulking *in the construction of the vessels*." The compensation awarded, therefore, was based, not upon the Government's "use" in a limited sense, but upon the use of the invention made *by the contractors* before the vessels came into the possession of the Government.

In this very case now before your Honors, the Court of Appeals of the Third Circuit said (211 F. 124, 153):

"But since the suit was brought, the Act of 1910 has been passed, and has been interpreted by the Supreme Court in the recent case of *Crozier v. Krupp*, 224 U. S., 290, 32 Sup. Ct., 488, 56 L.Ed., 771. This statute, we think, furnishes a practical solution of the questions arising upon this branch of the case. Even if the plaintiffs did not disclaim the desire to interfere with the Government's possession of the vessels, there is no longer any ground upon which a final injunction can be properly rested, *even in a suit against a contractor with the Government*, where the dispute concerns such property as vessels of war."

In behalf of the plaintiffs in the District Court, it has been maintained that under the Act of 1910, the contractor in such a case as the present case must account for his "profits" in *making* the patented devices and the Government must account for compensation in its use thereof and that there is no overlapping of these claims. In the first place it should be noticed that "profits" are not "compensation." Profits may fall far short of mere compensation or they may go far beyond it according to the fortune and ability of the party. But compensation is plenary and more exact. The Master in this case held the view that because the defendant before him made profits, therefore the plaintiff should get them, ignoring the circumstance that profits in themselves are not *wrongful* and that before they can be awarded the right to an injunction must be established to give jurisdiction to go on and assess these profits. *Root v. Railway Co.*, 146 U. S., 210.

The vital question in this case is whether defendant's action is non-infringing or infringing in character. It is absurd to confuse this question with the question of whether defendant has made a profit or not. If the Government's status is that of an infringer, then of course, it follows that defendant is open to suit as an infringer, and in such an action is liable to an injunction and an accounting whether it made profit or not; but if the status of the Government is not that of an infringer then defendant is not an infringer and is not liable to an infringement suit, also whether it made profit or not.

There can be no doubt that had the plaintiff,

on June 25, 1910, executed a formal written license to the Government to use the invention of the patent in suit in consideration of paying a license fee to be thereafter fixed by the Court of Claims, the defendant's act in building for the licensee the apparatus complained of would be deemed a lawful, non-infringing transaction under the authorities hereinbefore cited. That, we submit, in effect is the situation here.

If this Court, having decided that the Act of 1910 protects Crozier, an officer of the government, should now decide that it does not protect the Cramp Company, a contractor with the government, it must be evident that many intermediate cases will constantly be arising as to which the line will have to be drawn again and again. How will it be when the contractor does his work on the basis of "cost plus a percentage"? Or when his control over his employees is not that of a private employer, but the employees are subject to special government order and restraint as is now the case in England? Or when the device is finally actually made by a government officer but the contractor does all the work except the last step? Or when at every step a government officer may interfere and modify the plan on some basis of adjustment, as in the present case? We submit that it is not the intent of the law to draw a line among these various cases, but rather to give the government a plenary right of appropriation and to give the patentee a like right to be compensated.

The Act of 1910 Made Provision for the Exercise of the Right of Eminent Domain and Was Not a Mere Permission to Bring a Tort Action Against the Government in the Court of Claims.

The contention of the respondent is in effect that the Act of 1910 was not the exercise of the right of eminent domain, as was decided in *Crozier v. Krupp*, but merely gave to a patentee the right to sue the government in a tort action in the Court of Claims, thus leaving it in the power of the patentee to sue those carrying out the government's desires, such as its officers and contractors, making them liable to injunction and accounting for profits and damages. In view of this contention we submit the following review of the situation existing before the passage of the Act, the disadvantages to both patentees and the government which the Act sought to remedy, and the justice and simplified dealing resulting from its operation.

1. THE SITUATION ANTECEDENT TO THE ACT OF 1910.

In *Crozier v. Krupp*, 224 U. S., 290, the Court said (p. 303):

"The enactment of the statute, we think grew out of the operation of the prior statute law concerning the right to sue the United States for the act of an officer in infringing a patent as interpreted by repeated decisions of this court." (Italics ours.)

After citing its previous decisions on this subject, the Court continued (p. 304):

"In other words, the situation prior to the passage of the Act of 1910 was this. Where it was asserted that an officer of the Government had infringed a patent right belonging to another—in other words, had taken his property for the benefit of the Government—the power to sue the United States for redress did not obtain unless from the proof it was established that a contract to pay could be implied—that is to say, that no right of action existed against the United States for a mere act of wrongdoing by its officers."

An examination of previous cases in the Court of Claims, the Circuit Courts of Appeal, and the Supreme Court shows that "the operation of the prior statute law" resulted in injustice to patentees in depriving them of compensation for the appropriation of their inventions by the Government, its officers, agents, etc., and in annoyance and harassment of the Government and those dealing with it in the resulting attempts to do indirectly that which could not be done directly.

On the one hand, the patentee could not sue for an appropriation of his invention by the Government, and could have no recovery for Government use of his invention unless he could prove a contract express or implied (*Schillinger v. United States*, 155 U. S., 163; *United States v. Berdan Firearms Mfg. Co.*, 156, U. S., 552). The wide range of activity of the Federal Government, extending to the making and purchasing from contractors of war material, dredging waterways, building public works, carrying on the postal service, etc., brought forth a numerous

class of claimants whose inventions were used in the public service. Many of these inventions had no useful application except in Government service, and, if used by the Government itself or those dealing with the Government, the patentee could get no return from his invention unless he could get it from the Government. To do justice to this class of patentees, and likewise in cases where the contractor only employed a patented process, the unpatented article produced thereby being used by the Government (as in *Schillinger v. United States*), it was essential that the Government be held liable for all of its use of an invention.

On the other hand, the Government was subjected to annoyance and, in some cases grave danger, by reason of having to defend suits against itself and against its officers and contractors, being compelled to resist attempts to enjoin its officers and contractors, and risk the disclosure of intimate details of Government business in suits nominally between private parties, and limit its transactions in many articles to dealings with patentees only. Moreover, by reason of the uncertainty of those dealing with the Government as to their rights and the rights of the Government, it was seriously hampered in its freedom of obtaining patented devices, being compelled in many cases to deal only with patentees and submit to arbitrary and unfair exactions.

The reports of the Court of Claims abound with cases recording the attempts of inventors to collect pay from the Government by reason of the Government's use of inventions, either directly by the Government in its own yards and by its own employees and officers, or by contractors

with the Government. In the majority of these cases, unless recovery could be had from the Government, the patentee would go without compensation. Especially was this so if the contractor happened to be financially irresponsible, for in that case there was no hope of collection even if a decree were rendered.

Because of the law as laid down in *Schillinger v. United States*, 155 U. S., 163, the majority of cases in the Court of Claims were cases in which the patentees attempted to prove an implied contract. Because of the difficulty of proving an implied contract, few patentees succeeded in collecting anything from the Government. Failing to collect from the Government, there arose a large class of cases in which patentees sought to do indirectly that which could not be done directly. The reports show numerous suits brought against officers of the Government attempting to enjoin the officers and hold them personally responsible; also numerous suits against contractors attempting to enjoin them and hold them personally responsible.

But, so far as we can find, in no case prior to the passage of the Act of 1910 was any officer or contractor ever actually enjoined or compelled to pay personal profits or damages by reason of the infringement of a patent as a necessary incident to Government work. At best, the right to maintain an action even against a contractor upon Government work was challenged and uncertain, and, if it existed at all, existed in theory only. The decisions of numerous courts, prior to the passage of the Act (among them the decision of the Circuit Court of Appeals for the Fourth Circuit in *Dashiell v. Grosvenor*, 66 F. R., 334),

had ruled squarely against the right of a patentee to maintain any such action.§ This Court itself has never decided that such a suit could be maintained, and as late as 1896, in affirming the case of *Dashiell v. Grosvenor* upon the ground of non-infringement, reserved its opinion on the question of the right to maintain actions of this kind, saying (*Dashiell v. Grosvenor*, 162, U. S., 425, 434):

"This conclusion also renders it unnecessary for us to consider the questions discussed by the Court of Appeals in its opinion, in respect to one of which see *Belknap v. Schild*, 161, U. S., 10."

(a) *Suits in the Court of Claims Attempting to Recover Compensation.*

These suits illustrate the character of use which the Government made of inventions, directly and through its contractors, and also the difficulties of patentees in attempting to get jurisdiction. Some of the cases in the Court of Claims were referred to that Court by special Act of Congress; in a few cases, the patentees succeeded in proving an implied contract; but in the majority of cases the patentee unsuccessfully sought to prove an implied contract.

One of the earliest cases is *Pitcher's* case in 1864, 1 Court of Claims, 7, in which Pitcher

§The decision of the Circuit Court of Appeals for the Third Circuit in *Curtis Co. v. Cramp Co.*, 211 F. R., 124, is contrary to that of the Fourth Circuit in *Dashiell v. Grosvenor*, but was not rendered until several years after the passage of the Act of 1910. The decision of the Court of Appeals of the District of Columbia in 1908 in *Krupp v. Crozier*, 32 App. D. C., was contrary to that of the Fourth Circuit Court of Appeals in *Dashiell v. Grosvenor*. The opinion in this Krupp case makes no allusion to the Dashiell case.

sought to recover from the Government for the use of a patent on a machine for making brooms. The Court held that it had no jurisdiction of an infringement case unless accompanied by a contract.

Between the date of the Pitcher decision and 1910, among the numerous cases the following may be mentioned as showing the character of the transactions involved:

Dahlgren v. United States, 16 Court of Claims, p. 30; *Morse Arms Co. v. United States*, 16 Court of Claims, p. 296; and *Henry v. United States*, 19 Court of Claims, 120, were cases in which the patentee sought to recover by reason of the manufacture of war material by the Government in its own arsenals.

United States v. Palmer, 128 U. S., 262, and *Butler v. United States*, 23 Court of Claims, 335, were cases in which war material was manufactured by contractors and used by the Government.

Beach v. United States, 41 Court of Claims, 110, was a case in which pneumatic tubes were made for and used by the Post Office Department.

Farnham v. United States, 47 Court of Claims, 207, was a case in which the Government manufactured stamp books at the Government Printing Office and sold them through the Post Office Department.

Brooks v. United States, 39 Court of Claims, 494, was a case in which a contractor making a vessel for the United States used a method of caulking decks and the Government was held liable for a license fee by reason of the contractor's use of the method.

(b) *Unsuccessful Attempts to Enjoin and get Remedial Action against Officers and Contractors.*

One of the earliest cases is *Heaton v. Quintard*, 7 Blatchf., 73; Fed. Case 6311, in which a bill was filed in 1863, in the Eastern District of New York by Heaton, a patentee, praying for an injunction and accounting against Quintard, a contractor, by reason of the alleged infringement by Quintard, and his men in placing a patented armor on the monitor *Onondaga* then building at Quintard's shipyard for the United States Navy.

This case strikingly illustrates what this Court in *Crozier v. Krupp* refers to as "the grave detriment to the very existence of Government which might result from interference with the right of the Government to make and use" the invention of a patent. Had the suit been filed against the original monitor in 1862 instead of in 1863, and had Quintard, the contractor, and his employees been compelled to spend a day or two in Court explaining why an injunction should not be granted, a different history would have been written of events at Hampton Roads. Judge Blatchford had no illusions on the subject. He said:

"One of the defences set up in the answer is, that, as the wooden armor and outside plating were built in consequence of an order given for that purpose by the Secretary of the Navy of the United States, and were applied to a vessel built for the United States, and were paid for to the defendants by the Secretary of the Navy, the defendants are not liable for any value which such armor may have been to the United

States. I think this is a good defence. To hold that workmen and employees of the Government, who do work for it upon a vessel owned by it, and are paid by it for doing such work, such work being done in a specific form by the orders of the Government, can be held liable in a court of the United States for infringing a patent by doing such work, would be, in effect and substance, to allow the Government itself to be sued, in the guise of a suit against its workmen, and would lead to embarrassments of the operations of the Government which might prove of serious detriment."

In 1874, *Cammeyer v. Newton*, 12 Blatchf., 122; Fed. Case 2345, was decided by Judge Blatchford. In that case, the defendant General Newton was charged with infringement of a patent on a portable and adjustable still water dam in the work of enlarging the channel through Hell Gate carried on by the Government. Although the suit was dismissed upon the ground of non-infringement, nothing contained in Judge Blatchford's opinion in any way admits the legality of maintaining such an action. On appeal, this Court in 1876 (*Cammeyer v. Newton*, 94 U. S. 225) affirmed Judge Blatchford upon the same ground. Although this Court referred to the fact that agents of the public had no more right to use a patented invention without license from the owner of the patent than private individuals have, it did not hold that any Court had jurisdiction to enjoin, or decree profits or damages, against an individual carrying out Government work. It was not necessary to so decide in that case, because the patent was invalid.

In 1879, in *Campbell v. James*, 14 Blatchf., 42; Fed. Case 2361, in a suit against the Postmaster of New York, for infringement of a patent for post-marking letters and cancelling stamps, Judge Wheeler directed the entry of a decree for an account of profits and damages. Upon appeal this Court in *James v. Campbell*, 104 U. S., 356, held the patent invalid, and, although affirming the principle that the Government has no right to use an invention without compensation, said (p. 359):

"The course adopted in the present case, of instituting an action against a public officer, who acts only for and in behalf of the Government, is open to serious objections. We doubt very much whether such an action can be sustained. It is substantially a suit against the United States itself, which cannot be maintained under the guise of a suit against its officers and agents, except in the manner provided by law."

And the Court added:

"But as the conclusion which we have reached in this case does not render it necessary to decide this question, we reserve our judgment upon it for a more fitting occasion."

In 1876, in *Brady v. Atlantic Works*, 4 Cliff., 408; Fed. Case 1794, Justice Clifford directed a decree for an accounting, but deferred the question of injunction in a suit against a contractor who had built a dredging boat under contract with the United States. Upon appeal this Court (*in Atlantic Works v. Brady*, 107 U. S., 192) followed the same course as it had fol-

lowed in *Cammeyer v. Newton*, 94 U. S., 225, and *James v. Campbell*, 104 U. S., 356, and held the patent invalid. No reference was made to the question of the right to maintain the suit, the Court evidently deeming that a repetition of what was said in *James v. Campbell* was unnecessary. Elsewhere our opponents have argued that because the Court based its decision on the invalidity of the patent, this presupposes that the Court considered itself to have jurisdiction to award an injunction or an accounting against the nominal defendant. We submit that the express disclaimer of any such inference in *James v. Campbell* and later in *Dashiell v. Grossvenor* (*infra*) sufficiently answers this contention.

In *Benedict & Burnham Mfg. Co. v. Hollister*, 4 F. R., 83, Judge Shipman, in the District of Connecticut, without making any reference in his opinion to the right to maintain such a suit, directed a decree for an injunction and an accounting in a case against a Postmaster for infringement of a patent for an improvement in revenue stamps. Upon appeal this Court (*Hollister v. Benedict & Burnham Mfg. Co.*, 113 U. S., 59) dismissed the bill upon the ground of the invalidity of the patent, but, after pointing out that in *James v. Campbell* the Court had declared the right of a patentee to be exclusive of the Government of the United States, said:

“But doubts were expressed whether a suit could be sustained, such as the present, against public officers, or whether a suit upon an implied promise of indemnity might not be prosecuted against the United States by name in the Court of Claims. If the right

of the patentee was acknowledged, and, without his consent, an officer of the Government, acting under legislative authority, made use of the invention in the discharge of his official duties, it would seem to be a clear case of the exercise of the right of eminent domain, upon which the law would imply a promise of compensation, an action on which would lie, within the jurisdiction of the Court of Claims, such as was entertained and sanctioned in the case of *The United States v. The Great Falls Manufacturing Co.*, 112 U. S., 645. And it may be, that, even if the exclusive right of the patentee were contested, such an action might be brought in that court, involving all questions relating to the validity of the patent; but, as we have concluded to dispose of the present appeal upon other grounds, it becomes unnecessary to decide the question arising upon this defence. It is referred to only for the purpose of excluding any inference that might be drawn from our passing it over without notice."

In 1883, Judge Shipman, in the case of *Forehand v. Porter*, 15 F. R., 256, directed a decree for an accounting in a suit against the Master Armorer at the United States Armory at Springfield, Mass. No injunction was granted and it does not appear that the case ever went any further than the opinion.

In 1891, in *Head v. Porter*, 48 F. R., 481, Judge Colt, in a suit against the Master Armorer at the Springfield Armory, overruled a plea to the jurisdiction. It does not appear that this case went any further.

In 1887, the case of *Belknap v. Schild*, 161 U.

S., 10, was commenced against army officers for an injunction and an accounting for infringement by reason of the use of a caisson gate for the Government. A plea to the jurisdiction was overruled, and the Circuit Court made an interlocutory decree directing an injunction and an accounting. Upon appeal this Court in *Belknap v. Schild*, 161 U. S., 10, held that the suit was really intended to defeat the use of the gate by the United States, and that "the suit could not be maintained without violating the principles formed in a long series of decisions of this Court." Of course, after holding that there was no right of injunction, such ruling carried with it the corollary that no equitable action could be maintained, and the Court then proceeded to point out that no recovery could be had for profits. The bill was ordered to be dismissed upon the ground that there was "no ground for equitable relief, by injunction, by accounting of profits, or otherwise."

In 1894, in *Grosvenor v. Dashiell*, 62 F. R., 584, Judge Morris, in the District of Maryland, directed a decree for an injunction and an accounting of profits and damages. The defendant, although he was a naval officer connected with the Bureau of Ordnance, had an agreement with the Government by which he was to be paid a royalty of \$125.00 for each gun. The guns were manufactured at the Washington Navy Yard under the supervision of the Bureau of Ordnance of which Commodore Folger was the Chief. Judge Morris pointed out that

"The testimony shows, however, that the manufacture is by authority and direction of the defendant, and under a contract with him

by which he is to be paid \$125.00 for each gun. So far as he is concerned, he is not acting in this connection as an officer of the Navy, but as a patentee." (P. 587.)

Upon appeal to the Circuit Court of Appeals for the Fourth Circuit, that Court reversed the decree and directed a dismissal of the bill upon the ground that such an action could not be maintained. The opinion of the Circuit Court of Appeals for the Fourth District, written by Judge Goff in 1895 (*Dashiell v. Grosvenor, et al.*, 66 F. R., 334), pointedly says (p. 336):

"Should a suit instituted under such circumstances and with such intention be sustained? Do not public policy and the rights of the Government in its sovereign capacity require that parties feeling themselves aggrieved on account of matters relating to such transactions as we have alluded to—to such circumstances as are set forth by the evidence taken and filed in this case—should be compelled to seek relief and compensation, if so entitled, by proceeding in another manner, and before another tribunal, and that the courts should not use their writs of injunction so as to retard and embarrass the Government in the prosecution of work, the product of which is absolutely essential to the public welfare and the national defense? We think that the consent of the owner of a patented device, while it is desirable, and should be obtained, if it conveniently and reasonably can, is not positively necessary in order to enable the United States to use the invention described in the letters patent, particularly in cases where it relates to the mode of construction of implements of warfare re-

quired by the Government, and indispensable to the armament of its vessels of war. Such right to take and use the property of the citizen for Government purposes is indisputable,—an inborn element of sovereign power essential to the independence and perpetuity of the nation.”

The Court also points out that under the right of eminent domain the Government has the right to use an invention and that, because Congress had provided for a procedure of condemnation of private property in certain instances and not in others, it did not imply that the power to take the property did not exist as to the other matters. The Court then added (p. 338):

“We do not think that contending patentees, striving between themselves and those interested with them as to the validity of their respective letters patent, should be permitted to close the arsenals, ordnance shops, and navy yards of the United States by injunctions issuing out of their litigation, thereby frustrating the designs of the Government, rendering inoperative the legislation of Congress germane thereto, and causing great loss of the public funds appropriated by Congress in execution of the same. It is true that the United States is not made a party to this action, but it is also true that it is disclosed by the pleadings and evidence that the cannon, the further making of which it is the object of this suit to enjoin, are now being manufactured at the Navy Yard of the United States at Washington, by the employees of that establishment, under the direction of the chief of ordnance of the Navy Department; and it is apparent that such an

observance of the injunction granted by the court below as should be shown by those to whom it is directed, and as must necessarily be required by the courts while it is of force and effect, will close said navy yard, so far at least as the manufacture of breech-loading cannon is concerned, and thereby prevent the enforcement of certain laws of the United States, the consummation of which is of national importance."

The Court then directed a dismissal of the bill. Upon appeal, this Court (*Dashiell v. Grosvenor*, 162 U. S., 425) affirmed the Circuit Court of Appeals upon the ground of non-infringement, but added:

"This conclusion also renders it unnecessary for us to consider the questions discussed by the Court of Appeals in its opinion, in respect to one of which see *Belknap v. Schild*, 161 U. S., 10; but for the reasons stated its decree, dismissing the bill, is affirmed."

In 1902, in the case of *International Postal Supply Co. v. Bruce*, 114 F. R., 509, a suit against a Postmaster for infringement by reason of using certain alleged infringing stamp cancelling machines, his Honor, Judge Coxe, upheld a plea to the jurisdiction and dismissed the bill. The question in that case was certified to this Court, and it was held that the action could not be maintained. (*International Postal Supply Co. v. Bruce*, 194 U. S., 601).

The reasoning of this Court in the Bruce case follows closely along the precedent established in *Belknap v. Schild* (supra). In the Bruce case

the Government was the lessee of the stamp cancelling machines, and the Court held that it could not entertain a suit that attempted to interfere with this undoubted property right of the Government.

In the opinion in the case of *Krupp v. Crozier*, 32 App. D. C. 1, there is no mention of the decision of *Dashiell v. Grosvenor* by the Fourth Circuit Court of Appeals (supra), which was the highest authoritative utterance on the subject up to that time, but the decisions in the two cases are distinctly contrary to one another. The Court of Appeals of the District of Columbia enjoined Crozier from making infringing guns for the Government and distinguished from *Belknap v. Schild* and *International v. Bruce* on the ground that its injunction related to property not yet possessed by the Government, and hence no interference with Government property was involved. This attempted differentiation seems to have been fully answered by the dismissal of the suit by this Court (224 U. S., 290).

2. ADJUDICATIONS OF THE ACT OF JUNE 25, 1910.

In addition to the decision and opinion of this Court in *Crozier v. Krupp*, 224 U. S., 290, the Act of 1910 has been considered by the lower courts in the following cases:

In *Firth v. Bethlehem*, 216 F. 755, 762, 766, it appeared that the defendant was manufacturing projectiles, some of which were for the Government and some for other parties. All of the acts complained of occurred prior to the passage of the Act of 1910. The Court enjoined the defendant, except as to making projectiles for the Government, but held it liable on accounting, on

all classes of projectiles. On appeal to the Court of Appeals for the Third Circuit (224 F. 937), the patent was adjudged to be anticipated and invalid, and on this ground the lower court was reversed.

The case of *Marconi v. Simon*, 227 F. 906 (opinion of Judge Hough), was decided squarely on the ground that the Act of 1910 protects a contractor with the Government. This Marconi case is a companion case scheduled to be heard in this Court at the same time as the present Cramp case. On appeal to the Court of Appeals for the Second Circuit (231 F. 1021), the lower court was affirmed by a majority decision on the opinion of Judge Hough, and Judge Ward wrote a short dissenting opinion.

Judge Ward's dissenting opinion makes no mention of the *Crozier v. Krupp* case and assumes that prior to the Act of 1910 the Court of Claims was open to a patentee when the Government took his patent property.

In *Marconi v. Kilbourn*, 239 F. 328, 355, the Court stood on the same grounds as relied upon by Judge Hough and the majority of the Court of Appeals of the Second Circuit affirming him in the *Marconi v. Simon* case. The opinion in the *Kilbourn* case says:

"As to the apparatus furnished to the United States, this Court, in view of the Act of 1910 has not jurisdiction, either over a suit for an injunction, or for an accounting."

The only other adjudications of this Act of 1910 that we have found are those of the lower courts in this case now before your Honors, namely, at 202 F. 959, 211 F. 124, 153, and 232 F. 166.

3. NEED FOR A STATUTORY DEFINITION OF A GOVERNMENT RIGHT TO OPERATE UNDER A PATENT.

In this state of the law, prior to the passage of the Act, it could hardly be said that a patentee could secure an injunction, or recover profits, or maintain any equitable action against even a contractor with the Government. At best, if the right to maintain such a suit existed, it existed in theory only. While some district courts had taken jurisdiction and decreed against Government officers as well as contractors, mainly upon the theory that the question had not been squarely decided by the Supreme Court, the definite pronouncement of the Circuit Court of Appeals for the Fourth Circuit in 1896 in *Dashiell v. Grosvenor*, 66 F. R., 334, against the right to maintain such a suit, was the only decision of a court of as high rank as the Circuit Court of Appeals on the subject, except the Court of Appeals of the District of Columbia in *Krupp v. Crozier* in 1908, and, indeed, this Court had never decided that such an action could be maintained, had indicated doubt as to the possibility of sustaining such an action, and had in *Belknap v. Schild* and *International Postal Supply Co. v. Bruce*, squarely held that upon the facts in those cases the suits could not be maintained.

As further bearing upon the operation of the prior statute law, in view of which the Act was passed, this Court (in *Crozier v. Krupp*, 224 U. S., 290, 303) refers to five prior decisions of the Court. Of these cases *United States v. Berdan* and *Harley v. United States* apparently related to devices manufactured and used in Government shops; *United States v. Palmer* related to infantry equipments "manufactured or

purchased" for the Army; *Schillinger v. United States* was for a patented process used by a contractor in laying the pavement in front of the Capitol building at Washington; and *Russell v. United States* related to rifles manufactured by a Norwegian Company under contract with the United States Government.

In none of the reported cases is a distinction drawn between an officer and contractor.

In these circumstances, at the time of the passage of the Act of 1910, the disadvantages to the Government and the patentee may be stated somewhat as follows:

From the standpoint of the patentee, if the Government or its agents appropriated an invention, whether by building machines in Government shops, employing contractors to build them, participating in the use of a process by a contractor, or otherwise, there was no forum in which the Government could be made to pay a reasonable compensation for such use as was made of the invention, unless an implied contract could be shown. To show an implied contract in the Court of Claims was almost impossible; to endeavor to make the Government pay by interfering with its operations, as by enjoining its officers or agents, was a hopeless procedure. No one had succeeded in actually doing it, and the weight of authority, we submit, was against it. To attempt to get compensation by seeking the personal profits or damages of an officer or contractor was practically hopeless. Since the right to equitable relief depends upon jurisdiction for the purpose of granting an injunction (*Root v. Railway Co.*, 146 U. S., 210), no one had succeeded

in collecting any profits or damages from a Government officer or contractor.

To the credit of the patentees of the country it must be said, however, that the vast majority, if not all, of the reported cases indicate that the real object of the patentees, both in suing the United States directly, and in suing officers and contractors indirectly, was to recover some remuneration for the appropriation of their inventions, and not to embarrass the Government by injunction which would prevent use of the invention. The vast majority of patentees in this country are patriotic men who have no wish to withhold from their Government any invention that they may make, nor do they wish to have the right to impede the Government in carrying on any of its operations, and especially operations concerned with the procuring of war material.

From the standpoint of the Government, it is essential to its sovereign rights that it shall be free to appropriate and use directly and indirectly the invention of any patent just as it may appropriate for its use any other property. The man who owns a patent right stands on no higher footing than the man who may own an automobile or a yacht or real estate, when the needs of the public require the appropriation of such property. The Government must use inventions in many ways—in manufacturing material in its own shops, in having the material manufactured in rented shops, in contracting with others to manufacture material, in employing or contracting with others to employ processes, and even, in some cases (*Farnum v. U. S.*, 47 Ct. Cls., 207, for example), manufacturing and selling patented devices. In such contracts the consideration may be fixed or may be on a "cost

plus" basis, and may be more or less conditional. Freedom in carrying on the operations of the Government requires that the use of these inventions shall not be interfered with either by injunction against officers or contractors, or by requiring the Government or its officers or contractors to go to Court to explain the urgency or expediency of appropriating the invention. It should not be permitted that the transactions of the Government, or even its contractors, be dragged out and spread upon the public records in suits between private individuals, as for example, the attempt to spread out intimate confidential details of torpedo boat destroyer turbine design in an accounting proceeding between private parties as in the present case;* and those dealing with the Government should not be frightened away or harassed by threats of infringement suits.

4. SCOPE AND EFFECT OF THE LAW OF JUNE 25, 1910.

All of these desired objects the Act of 1910 accomplishes. It meets the situation by writing what is in effect a license agreement between the Government and the patentee. It says to the patentee that the Government will pay a reasonable compensation for the use of valid patents. To ensure that payment, conformably with analogous proceedings under the right of eminent domain, the Act permits the patentee to go to

*The stringent instructions of the Navy Department as to preserving secrecy regarding the plans, specifications and drawings of its contracts with the petitioner Wm. Cramp & Sons Ship & Engine Building Co. appear in the report of the case of *In re Grove*, 180 F. R., 62, C. C. A., 3rd Circuit, which case arose out of the fact that the president of the Cramp Co., petitioner here, refused to disclose such plans, in the case at bar, and was required to answer a charge of contempt of court therefor.

the Court of Claims to show his title and have the amount of his compensation fixed. The patentee shows to the Court of Claims that he has a valid patent, and that the Government has made use thereof; the Court of Claims thereupon fixes the reasonable compensation, and the patentee is assured of payment by the most responsible source in the country. This complies fully with the requirements necessary to the taking of property under the right of eminent domain. *Crozier v. Krupp*, 224 U. S., 290, 306. There is thus no harassing accounting of profits by either the Government or its agents nor any assessment of damages, but the Court fixes a *reasonable compensation* for the use of the invention.

The Act gives an additional remedy to the patentee—a substantial remedy; it provides that he shall recover compensation, whereas before he could not do so.

That the operation of the prior statute law involved not only the injustice of depriving patentees of their just compensation, but also involved serious hindrance and embarrassment to the operations of the Government was no doubt in the mind of the Court in deciding *Crozier v. Krupp*, as appears by the reference of the Court in its opinion (p. 306), to

“the grave detriment to the very existence of government which might result from interference with the right of the government to *make and use* instrumentalities of the character of those with which the patents in question are concerned.” (Italics ours.)

Thus the duty of making compensation to the patentee was not the whole object to be accom-

plished. An object of equal importance was to insure that the Government should be free and uninterrupted in its use of patented inventions.

This was only fair. Since the patentee is to be compensated for whatever use is made of his invention, the Government must not be hampered in its operations. As the Government must always act through its officers and agents, and has customarily carried on a large part of its work, such as building highways, dredging waterways, erecting public buildings, and building ships, through contractors, it is obvious that duly authorized use by these instrumentalities without "interference" was contemplated by the Act.

It is hardly conceivable that Congress would have authorized the payment of compensation for the use of an invention, and at the same time reserved to the patentee the right to enjoin or harass those doing the work for the Government, perhaps subjecting them to the payment of extra compensation, and perhaps, under the guise of a suit between private individuals, spreading upon the public records intimate details of the Government's Army and Navy secrets, the Government itself not being a party and perhaps not even notified of the suit or the particular proceeding or time when such secrets are divulged. Under such circumstances, the Government would find it difficult to procure the making of a patented machine, or the using of a patented process, by anyone other than the patentee. Obviously, the right to use inventions must, to be of any general use to the Government, be broad enough to permit the Government to have the invention practiced either

on its own land or elsewhere, by salaried employees as well as contractors.

There would have been no object for the Government to pay for the use of an invention if that payment did not cover the whole transaction and protect those carrying on the work for the Government.

The intention of Congress to thus safeguard the public interest is referred to by this Court in *Crozier v. Krupp*, as follows (p. 306), (224 U. S., 290):

“the vital public interest involved in the subject-matter of the patents in question and the grave detriment to the very existence of government which might result from interference with the right of the Government to make and use instrumentalities of the character of those with which the patents in question are concerned, of the purpose which the statute manifests to add additional protection and sanction to private rights, and the pledge of the good faith of the Government which the statute plainly implies to appropriate for and pay the compensation when ascertained as provided in the statute, we think there is no room for doubt that the statute makes full and adequate provision for *the exercise of the power of eminent domain* for which considered in its final analysis it was the purpose of the statute to provide.” (Italics ours.)

From the foregoing we submit that it is clear that the purpose of the Act of 1910 was to acquire for the Government, under the right of eminent domain, freedom from any “*interference with the right of the Government to make*

and use instrumentalities" forming the subject of letters patent.

5. THE ACT UPON ITS FACE EVIDENCES THAT IT IS NOT A MERE PERMISSION TO BRING A TORT SUIT.

(a) The remedy given by this act to a patentee whose invention is used by the Government is that he "may recover reasonable compensation," not damages nor penalty. The Government does not indicate any disposition to classify itself as a tort feasor. The provision that the "owner may recover reasonable compensation . . . in the Court of Claims" clearly marks the matter as an affair of eminent domain. This statute establishes the Government's right to use the invention of a patent and provides a procedure to liquidate the compensation due the patentee on that account. It puts the Government in the position of a lawful user of the patented invention.

(b) In actions at law or suits in equity against non-Government infringers, Section 4920 of the Revised Statutes provides that

"in any action for infringement the defendant . . . may prove on trial any one or more of the following special matters"

and there follows an enumeration of various possible grounds of attack against the validity of the patent. If, as our opponents have contended, this Act of June 25, 1910, was simply a consent by the Government that it might be sued as a tort feasor, as an infringer, then, of course, Section 4920 of the Revised Statutes would apply, without further enactment. But

if the Act was the exercise of the right of eminent domain, operating to confer a license on the Government, then a special enactment was proper in order to enable the Government to test the validity of patents under which claims should be asserted, because ordinarily a licensee is (in the absence of provision to contrary effect in the agreement) estopped from contesting the validity of the patent.

Therefore the express provision in the Act of 1910 that in a suit thereunder

“the United States may avail itself of any and all defenses which might be pleaded by a defendant in an action for infringement”

strongly implies that a suit thereunder is not an infringement suit. When the proviso says

“which might be pleaded by a defendant in an action for infringement”

it indicates that the suit contemplated under the act is not an action for infringement.

Our opponents have urged that it is unthinkable that a licensee could contest the validity of a patent. They seem to think that it involves some contradiction of terms in the very statement. Not so. License agreements may expressly reserve the right to the licensee to contest validity. In the present instance it is as if the Government took a license under such *valid* patents as it uses. Of course, an express license to use the *valid* patents of the licensor would not bar the licensee from showing that a particular patent asserted by the licensor was invalid.

(c) On the question of whether the Act of 1910 should be regarded as merely permitting the Government to be sued as a tort feasor, or permitting the Government to exercise the right of eminent domain, we submit that other things being equal the view should be taken that is most consonant with the integrity and dignity of the Government. The right to a patent is a right that is created by the government, and the patentee receives it as a bounty from the Government. Like every other government of the world, the United States has hitherto in one way or another excepted itself from injunction under its own granted patents. Prior to 1910, the exception was effected, not explicitly, but by the omission to provide any legal procedure that could be invoked by the patentee against the Government for its use of the invention of his patent; but by the Act of January 25, 1910, the Government spoke directly and positively on this matter. Either it said "we hereby consent to be regarded as a wrongdoer" or it said "we hereby expressly assert the undoubted right of eminent domain and herein provide for the liquidation of compensation in such connection." We respectfully submit that the latter is the correct view. One method would have made the Government incriminate itself; the other put the Government in the position of a sovereign taking unto itself that which is necessary for the carrying on of the Government, and lawfully paying therefor.

6. SOME ARGUMENTS THAT HAVE BEEN ADVANCED BY PLAINTIFFS.

(a) The Constitution authorizes Congress "to promote the progress of science and

useful arts, by securing for limited times to . . . inventors the exclusive right to their . . . discoveries."

It has been suggested by our opponents that, according to this provision, the only thing Congress can do for an inventor is to give him an *exclusive* right or no right at all, but to give him a right which is less than exclusive would be unconstitutional. They argue that the patent statutes prior to 1910 gave him the exclusive right and that this act of 1910 cannot be construed in such a way as to diminish his exclusive right, that prior to 1910 his right was to exclude the Government *inter alia* from using his invention, that unfortunately he had no remedy against the Government even though he had the right, and that since the Act of 1910 the *right* of the Government is no greater than before, only the *remedy* of the patentee is increased, that since 1910 the Government has no right to use a patented invention and that the patentee's right is indeed exclusive of the Government.

We hold the contrary opinion that the constitutional provision was intended to mark the limit of the authority of Congress rather than precisely to define that authority. It means that the limit to which Congress can go in its effort to promote the progress of science and useful arts is to secure to inventors for limited times the exclusive right to their discoveries. Under the Constitution, Congress can give them an exclusive right or it can give them no right at all; we submit that the reasonable view is that it can confer some right intermediate between these extremes.

It was never the intention of the makers and adopters of the Constitution that it should sign away the undoubted governmental prerogative, the right of eminent domain, which, like other powers necessary to the powers of the Government, applies to all property, *West River Bridge Co. v. Dix*, 6 Howard, 507; *United States v. Lynah*, 188 U. S., 445; *Charles River Bridge Co. v. Warren Bridge Co.*, 11 Peters, 420; *Great Falls Mfg. Co. v. Attorney General*, 124 U. S., 581; *Pumpelly v. Green Bay Co.*, 13 Wallace, 166. When the Government has granted patents both before and after the year 1910 it has always been subject to this unexpressed but undoubted right of eminent domain by which it may take for its own use the patent which it has granted.

(b) In the lower tribunals our opponents have urged that the Act is to be construed in the light of some scattered remarks in the report of the House Committee that recommended its passage. These particular remarks were to the effect that the purpose of the Act as proposed was to give the Court of Claims "jurisdiction in cases of tort." In the first place, we submit that the views of the Committee are not admissible as bearing on the matter. A long line of cases establish the rule that constructions placed on a law in the debate preceding its enactment are not to be relied on in construing the law thereafter. In *Bate v. Sulzberger*, 157 U. S. 1, 41, this Court said:

"Now it is true that * * * Mr. Jenckes said, when reporting that bill * * * [that it had a certain effect]. * * *

"These considerations, it is supposed, should have controlling weight in our interpretation of the Act as it finally passed. We cannot assent to this view."

Second, the same House Committee report contains statements to the contrary effect, as:

"It may be conceded that the Government ought to have the right to appropriate any invention necessary or convenient for natural defense or for beneficent public use, and that, too, without previous arrangement or negotiation with the owner."

"We intend only to provide under the terms of this bill that after its passage the United States should not make or acquire any new article which infringed a patented invention without giving compensation to the owner of the patent for the use of such new article."

Third, this report refers to the bill before it took its final form; it was afterward amended.

Finally, those remarks were evidently not directed to the *nature* of the jurisdiction to be conferred, but to its *scope* compared with prior jurisdiction of the Court of Claims. It is evident, from the context of those quotations relied on by our opponents, that the effort was to point out a class of cases theretofore not within the jurisdiction of the Court of Claims, but thereafter to be within its jurisdiction, and the thought was not directed to the quality of the causes of action embraced.

(c). Another of the arguments advanced in behalf of our opponents in the lower tribunals was

that in the present case there has been no actual appropriation by the Government to constitute the exercise of eminent domain thus to lay the foundation for a suit in the Court of Claims. Our opponents seem to be of the opinion that there should have been an Act of Congress naming patent No. 566,969 and directing the Secretary of the Navy to use the invention thereof in the turbines for the Government destroyers, or that there should have been some such explicit "taking."

On the contrary, we respectfully submit that the exercise of the right of eminent domain does not necessarily require any such explicit and affirmative preliminary announcement. When the Government bound itself and bound the Cramp Company by the execution and delivery of contracts Nos. 47 to 50, the appropriation was made. Those contracts referred to certain plans, specifications and drawings for the turbines, and our opponents assert (Record, p. 25) that the use of these would be an encroachment on the exclusive right of the owner of patent No. 566,969.

It is not necessary to an appropriation under the right of eminent domain that it should be primarily and explicitly directed to the object taken. There is a well established line of cases (*U. S. v. Lynah*, 188 U. S., 445, and cases cited therein) which shows that when a dam is ordered to be built by competent authority, then if it backs the water over private land, that land is "taken" under the right of eminent domain, and the party from whom it is taken has a well founded claim for compensation under the constitutional guaranty that private property shall not be taken for public use without due compen-

sation. It is not necessary that the land to be flooded shall first be surveyed and then a Legislative enactment directed to the taking of that land. It is enough if the flooding of the land follows as a consequence on the building of an authorized dam. See also *U. S. v. Gettysburg Elec. Ry.*, 160 U. S., 668. So in the case at bar, it was not necessary that the contracts by the Navy Department should recite the patent rights that were to be taken. The taking of those patent rights must follow as a consequence from the specifications and drawings attached to the contract, just as the taking of the flooded land follows as a consequence from the specification of the dam.

(d) The fundamental feature of our opponent's position is that the Act of 1910 did not change the status of the Government when it uses a patented invention without let from the owner, that before and after the Act the Government is a wrong doer. If this is the true view, then this Court was in error when it cited the law of 1910 as a protection for Crozier. It is a question not decided by this court whether Crozier would have been liable previous to the Act of 1910, but if the Act of 1910 gave the Government no *right*, then it created no protection for Crozier, it merely provided a forum and a procedure by which damages which formerly were due but uncollectible could be collected—that was all. And if the Act was no protection to Crozier, and no protection to a contractor following Government specifications, then it follows that the Fried. Krupp Aktiengesellschaft, or any other patent owner, may en-

join contractors from using their patents in following those specifications—an unthinkable result in these times.

If our opponents are right in their view that the Act of 1910 gave the Government no right, but merely gave the patentee a remedy for the Government's wrong, then they must admit the consequence that a recovery in the Court of Claims could be only for past Governmental use of the invention. A final decree against the United States would be an adjudication that the Government was a wrong doer in making use of the patented invention, and it would be the duty (at least the moral duty) of the executive branch to cease such wrong doing. A high minded executive official would no doubt be strongly moved so to order. The court could not assume that having found the Government to be a wrong doer, and awarded compensation accordingly, it could go on and award additional compensation for a continuation of the wrong in the future. Hence (according to the major premise of our opponents), if the Government continued its use of a patented invention after a decree against it in the Court of Claims, it would be subject to repeated suits for compensation until the expiration of the seventeen year term of the patent. We submit that this must be the conclusion reached if the Government gets no license under the Act of 1910; the absurdity of the conclusion is a strong argument for the absurdity of the premise from which it is drawn.

We respectfully submit that the circumstances leading up to the passage of the Act, the purposes to be accomplished by it, its language, and its simple and fair operation, make it clear

that this Court was fully advised when in *Crozier v. Krupp* it said (p. 306):

"We think there is no room for doubt that the statute makes full and adequate provision for the exercise of the power of eminent domain for which, considered in its final analysis, it was the purpose of the statute to provide."

Circumstances in the Case at Bar.

The defendant, according to its contracts with the Government, is required to build certain engines according to plans, drawings and specifications. These plans, drawings and specifications are delivered under strict injunction to the defendant to keep the same secret. It is desirable for the Government to maintain secrecy regarding these plans, because they relate to the propelling engines of torpedo boat destroyers. One of the most important characteristics of vessels of this type is the speed. This speed depends not only upon features which may be classed as strictly inventive features, but also upon engineering information, such as the number of steam pressure stages, the steam pressures and steam velocities preserved in each of these stages, the shape of the nozzles, blades, etc., all of which are intimately bound up in the structural features. From the beginning of the litigation, the defendant has, to the utmost of its ability, endeavored to comply with the instructions of the Navy Department to preserve secrecy in regard to these designs, even going so far as to permit its President to be cited for contempt of court for refusing to deliver up these drawings (*In re Grove*, 180 F. R., p. 62). De-

fendant has not up to this time disclosed these drawings. Its refusal to disclose these plans, drawings and specifications contributed to, if it did not result in, a finding by the Circuit Court of Appeals that it had infringed the patent in suit (*International Curtis Marine Turbine Co. et al, v. William Cramp & Sons Ship & Engine Building Co.*, 211 F. R., 124, p. 148). It is impracticable for the Government to say in advance to the defendant in a suit of this character whether or not the designs may be disclosed without determining what part of such designs may be disclosed, and it is not practicable for the Government to follow the litigation step by step and decide whether information called for from time to time may be disclosed without prejudice. Moreover, in fulfilling its contract with the Government, the defendant is greatly harassed in being obliged to go to the court and from time to time explain why the plans, specifications and drawings should not be disclosed. If the construction of the statute contended for by the plaintiffs in this case is adopted, it may readily be seen that future defendants will not feel inclined to run the risk of the penalties and liabilities which the defendant in this case has run rather than violate the instructions of the Navy Department.

On the other hand, if the Act is construed as it was in *Crozier v. Krupp*, the patentee is compensated for any use made of his invention, the Government will answer directly, and neither the Government nor the contractor will be harassed by indirection.

Plaintiffs have argued elsewhere that the contracts in this case indicate that the design com-

plained of and specified in the plans, specifications and drawings originated with the defendant. We submit that such conclusion is not warranted by the preamble of the contract, but even if it were, such circumstance would be wholly immaterial. No matter how or when the Government came to the point where it decided to make the appropriation, it did so when it entered into the contracts with this defendant because it thereby required the defendant to build a certain definite thing. That the Government understand that it was making such appropriation is evidenced by the Eighth clause of the contract (Tr. 35), which requires the defendant to save the United States harmless from all demands

“for or on account of the use of any patented invention, article or appliance that has been or may be adopted or used in or about the construction of said vessel, or any part thereof.”

If the Act of 1910 was merely an act to permit a tort action against the Government for the Government's use of the boats after the Government got them, such a clause would have been useless and meaningless. Its inclusion in the contract can only indicate that the Government wanted to be held harmless for any compensation that it might have to pay for the use by the contractor of an invention “in or about the construction of said vessel.”

Conclusion.

It is respectfully submitted that when the Government executed the contracts in question, it exercised the right of eminent domain in regard to any patent which might necessarily be used by the defendant in carrying out the contract by building machines in accordance with the plans, specifications and drawings made part thereof. By reason of such appropriation the Government's use of any such patent was a rightful use, and the defendant's status in building such machines was not the status of a wrong doer, but of a manufacturer for the Government protected by the Government's right. In such circumstances, the remedy of the patentee is not by infringement suit against the defendant, carrying with it a right of accounting for profits and damages, but is by suit in the Court of Claims against the Government for reasonable compensation.

Respectfully submitted

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Company, Petitioner.

Office Supreme Court, U. S.

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JAMES D. MAHER,
CLERK.

Supreme Court of the United States.

OCTOBER TERM, 1917.

No. 393.

WILLIAM CRAMP & SONS SHIP AND ENGINE
BUILDING COMPANY,

Petitioner,

vs.

INTERNATIONAL CURTIS MARINE TURBINE COMPANY
and CURTIS MARINE TURBINE COMPANY OF THE
UNITED STATES,

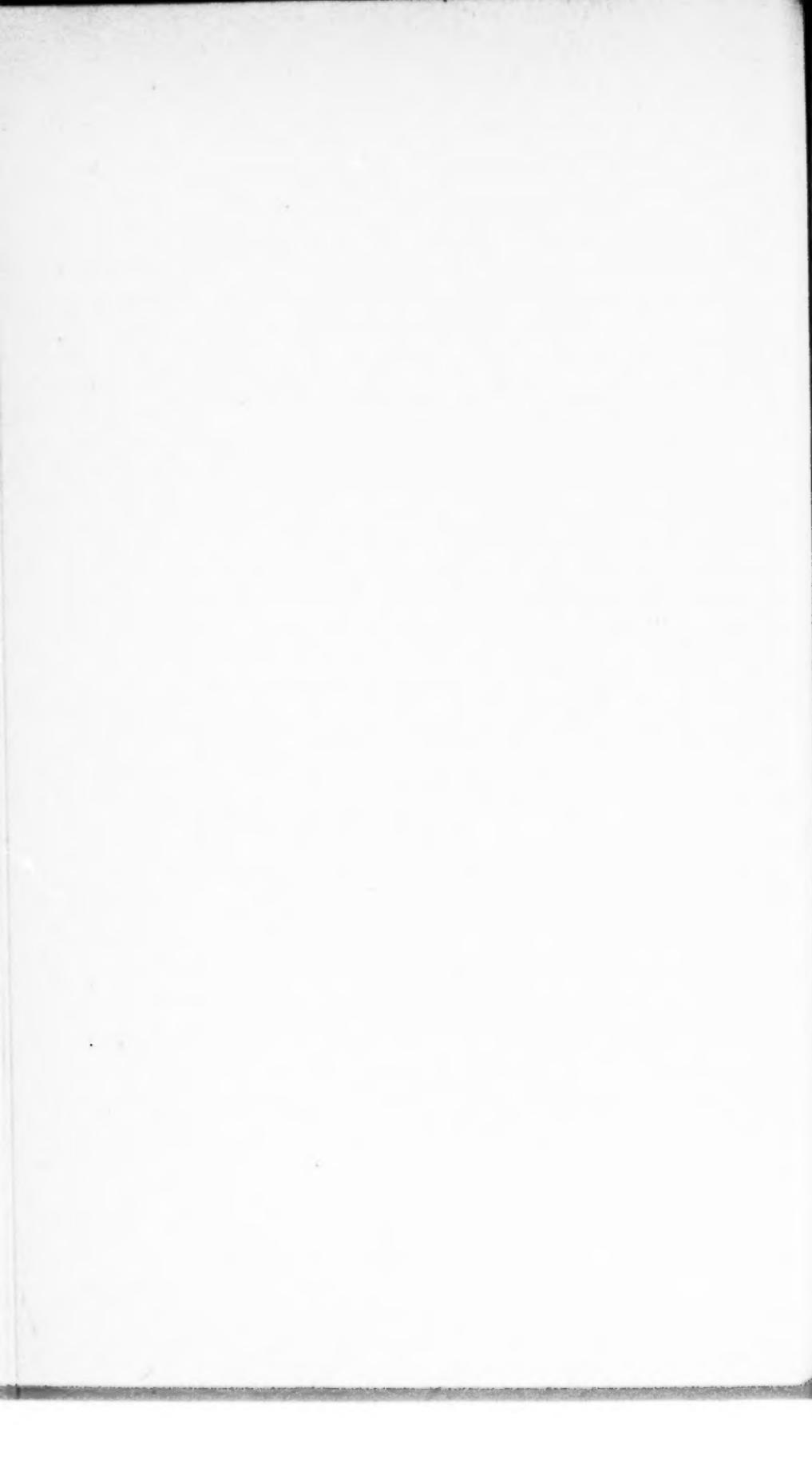
Respondents.

BRIEF ON BEHALF OF RESPONDENTS.

FREDERICK P. FISH,
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BRIEF ON BEHALF OF RESPONDENTS.

This suit involves the construction of the Act of Congress approved June 25, 1910, Chap. 423, 36 Stat., 851, quoted at page 2, *infra*.

The ultimate question presented for determination may be stated as follows :

Is a private contractor who, after the passage of the Act, makes for and sells to the United States Government apparatus embodying the invention of a patent held by others, free from liability to account to the patent owner for profits which the contractor has received in the transaction ?

No matters relating to an injunction are involved in this case.

The question is presented upon the following state of facts :

Prior to the passage of the Act above referred to, the Ship Building Company, the present Petitioner, contracted to fur-

nish to the Government, certain torpedo boat destroyers Nos. 30 and 31 embodying engines which, as found by the Circuit Court of Appeals for the Third Circuit in the present suit (211 Fed. Rep., 124), infringed a patent owned by the Turbine Companies, the present respondents. Upon the mandate of that Court a decree was entered ordering an accounting of damages and profits (Rec., p. 2).

In the proceedings on the accounting it appeared that the Ship Building Company had contracted to furnish to the Government not only the destroyers Nos. 30 and 31, upon which the charge of infringement was specifically based, but also certain destroyers Nos. 47, 48, 49 and 50; and the Turbine Companies called upon the Ship Building Company to account with reference to the engines in these destroyers also. Of course, an accounting is to cover not only the specific instances of infringements proved in the case as a basis for the equitable relief asked for, but also all other infringements, including those committed subsequent to the filing of the bill of complaint. See *Rubber Co. vs. Goodyear*, 9 Wall., 800-801.

The contracts for these four destroyers, Nos. 47, 48, 49 and 50, were entered into subsequent to the Act of June 25, 1910, which is as follows:

"An Act to Provide Additional Protection for Owners of Patents of the United States and for Other Purposes.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, that whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same such owner may recover reasonable compensation for such use by suit in the Court of Claims; provided, however, that said Court of Claims shall not entertain a suit or reward (sic) compensation under the provisions of this Act where the claim for compensation is based

on the use by the United States of any article heretofore owned, leased, used by or in the possession of the United States ; provided further, that in any such suit the United States may avail itself of any and all defenses general and special which might be pleaded by a defendant in an action for infringement as set forth in Title 60 of the Revised Statutes or otherwise ; and provided further that the benefits of this Act shall not enure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of such patentee, nor shall this act apply to any devices discovered or invented by such employee during the time of his employment or service " (Italics ours).

When, in the accounting, proof was offered as to the infringing engines in the four destroyers contracted for subsequent to the date of this Act, the Shipbuilding Company made the following objection (Rec., p. 4) :

" Defendant's counsel at this point objects to any inquiry into any transaction under the contracts for torpedo boat destroyers Nos. 47, 48, 49 and 50, on the ground that the contracts relating thereto were entered into in 1911 ; and all acts thereunder were subsequent thereto. On June 25, 1910, the United States, by act of eminent domain, *acquired a license* to use the inventions of all existing patents, and, therefore, the transactions under the contracts for torpedo boat destroyers Nos. 47, 48, 49 and 50, being merely the building of devices for a licensee under the patent in suit, were licensed transactions, and consequently are not within the scope of this accounting."

This objection, in which it is stated that the United States "acquired a license," is directly opposed to the Act itself, which relates only to situations in which the use is "without license" and without "lawful right."

The form of contract under which these destroyers were to be constructed appears at page 31 of the Record. It pro-

vides that each destroyer, when substantially complete, shall be subjected to certain trials (Rec., p. 38) as a result of which there may be a preliminary acceptance or a rejection (Rec., p. 42). If there has been a preliminary acceptance, there is to be a final trial (Rec., p. 43). Upon rejection of the destroyer, all moneys paid to the contractor are to be returned to the Government, and, in case of forfeiture of the contract, the Government may take over the destroyer or so much of it as may have been completed (Rec., pp. 44-47). The only provision relating to patents is the following (Rec., p. 35) :

“ EIGHTH. The party of the first part, in consideration of the premises, hereby covenants and agrees to hold and save the United States harmless from and against all and every demand or demands of any nature or kind for or on account of the adoption of any plan, model, design or suggestion, or for or on account of the use of any patented invention, article, or appliance that has been or may be adopted or used in or about the construction of said vessel, or any part thereof, under this contract, and to protect and discharge the Government from all liability on account thereof, or on account of the use thereof, by proper release from patentees, and by bond if required, or otherwise, and to the satisfaction of the Secretary of the Navy.”

The Ship Building Company having made the objection quoted on the preceding page, the Master overruled the objection (Rec., p. 6), and on re-argument adhered to his position, saying (Rec., pp. 8-9) :

“ The contention of defendant was that the Government, having exercised its right of eminent domain, by determining to build vessels containing the patented turbine engines, and awarding a contract therefor, with specifications in detail, became, in fact, a licensee of the right to make, use and sell, and liable, because of such act, to respond to the plaintiff patentee in the Court of Claims, under the enabling Statute of June 25, 1910, it was immaterial that it did not make the engines in its

own navy yards (as in *Crozier vs. Krupp*), but contracted with defendant, the Cramp Ship & Engine Co., to build them. The latter was an independent contractor and presumably derived a profit on its manufacture, under the contract, of the turbine engines constituting a part of the vessel contracted for. The patent grant is of the exclusive right to make, to use and to sell. These are several substantive and segregable rights. 229 U. S., 1. A defendant who infringed only the exclusive right of use, cannot logically nor legally be held to account for the profit which has accrued to the defendant who has infringed only the exclusive right to make the article which the former has bought from him. This would doubtless be the Answer of the Government if the present plaintiff sued in the Court of Claims and sought to include the profits of manufacture in the assessment of damages; supplemented by a statement of incontrovertible facts (1) that it did not infringe the exclusive right to make the infringing engines, (2) that it had paid to the infringing manufacturer the whole price demanded by the latter for the infringing article including presumably a profit thereon over cost of manufacture. The theory on which accounting in equity for patent infringement is based is that the infringer is a trustee of such profit as he thus unlawfully acquired; and if, in this case any part of the moneys paid to the defendant, under the contracts for the building of the vessels in question, included a profit to defendant on the turbine engines it built for and installed in such vessels, it is properly liable to account therefor under the decree in this case. Since this matter was originally argued before the Master, the decision of the District Court for this district, in *Firth Steel Co. vs. Bethlehem Steel Co.*, 216 Fed., 755 (762), has been announced and published, and it is thought that it governs the question under consideration here. As remarked by Judge DICKINSON in the case last cited, the defendant there as here was an independent contractor who constructed the alleged infringing device for profit and at his own risk. There, as here, the action was against the contractor, not

against the Government. In respect of the liability of the contracting manufacturer it was not of the slightest materiality that the purchaser and user of the alleged infringing article was the Government and not a private individual, the sole difference being that the latter as an independent tort feasor in violating the patentee's exclusive right of use, would be liable to injunction as well as damages, while the former, being invested by the Act of June 25th, 1910, with a license, compulsory as against the patentee, would be liable to answer to the latter in the Court of Claims for the value of such compulsory license; in ascertaining which, the extent and character of the right taken, by way of eminent domain, would govern the measure to be applied in assessing its value, and by no possibility could such measure include the profit due to the manufacturer of the article. Nothing short of considering the Government as the principal and the contracting builder as merely its agent, for the purpose, would justify the defendant's contention, and this would be impossible in view of the Contract in evidence."

Upon the request of the Ship Building Company, the Master, after having decided that the contracts for the four destroyers should be produced, certified the matter to the Court (Rec., p. 3). The District Court reversed the ruling of the Master (Rec., p. 10), but, the Court evidently having been under a misapprehension as to the situation in making certain suggestions in its opinion, a petition for rehearing was filed (Rec., pp. 11-13). On the rehearing, the District Court rendered another opinion adhering to its former conclusion, sustaining the defendant's objection (Rec., p. 19, and 232 Fed. Rep., 166), and referring to the decision in the Second Circuit in the case of *Marconi Wireless Telegraph Company vs. Simon* (227 Fed. Rep., 906 and 231 Fed. Rep., 1021, Judge WARD dissenting), which suit is now pending in this Court.

The Turbine Companies then filed in the Circuit Court of Appeals for the Third Circuit a petition for a writ of *certiorari*

or a writ of mandamus (Rec., p. 23) and that Court rendered the following opinion (Rec., pp. 27, 28) :

" This application for a mandamus or other appropriate process in effect asks us to reverse the ruling of the court below, which is reported in International Curtis Marine Turbine Co. vs. Cramp & Sons, 232 Fed. Rep., 166, and to direct the master to proceed on an accounting for contracts Nos. 47, 48, 49 and 50, made by the defendant with the United States Government. The question passed upon by the court below in that decision is as we view it, involved in a case in the Second Circuit, Marconi Co. vs. Simon, 231 Fed. Rep., 1021. This latter case is now under review by the Supreme Court of the United States on *certiorari* at No. 485 of October Term, 1916. As a decision therein will settle the case pending before us it seems proper for this court to await the action of the Supreme Court. In view, however, of the fact that the press of business of that court may prevent an early hearing and decision of the case pending before it we will, without passing on the merits of the case now pending before us, for the interim, direct the court below to enter an order directing the master to proceed to an accounting upon contracts Nos. 47, 48, 49 and 50, keeping the proofs and proceedings thereunder separate from those under contracts Nos. 30 and 31. By following this course the delay and loss of time which would result in the case in this Circuit if the view of the Second Circuit is sustained, will be avoided and in case the view held by the court below is sustained the present order will only have involved costs for which the plaintiff will of course be liable.

" The case will, therefore, be retained in this court for the time being to await the decision of the Supreme Court, but pending such time the court below will enter an order directing the master to proceed in the accounting upon contracts Nos. 47, 48, 49 and 50, as above indicated."

The petition for a writ of *certiorari* to this Court was then filed by the Ship Building Company and was granted.

The patent in suit expired in 1913, so no question arises

as to an injunction which might be urged to have the effect of interfering with, or in any way hampering, Governmental activities or requirements.

It is to be assumed, for the purposes of the present discussion, that the patent in suit was valid (as has been finally decided) and was infringed by the Ship Building Company in making the engines for the four destroyers in question, and that that Company has made a profit from its appropriation of the Turbine Companies' patent property. The only question is as to whether it is entitled to retain that profit for its own use, or whether it should pay it over to the Turbine Companies.

This case involves no attempt to obtain any monies from the Government. If the Ship Building Company pays its profits to the Turbine Companies, it has no right of action against the Government to recover the amounts so paid. The Ship Building Company, by its contract, assumed all liability for infringement of patents (Rec., p. 35).

Of course, there can be no question but that the Courts had jurisdiction in equity in this case. The plaintiff owned a patent which the defendant, a private corporation, was infringing, so a right to ask for an injunction existed. The granting or withholding of an injunction is always within the discretion of the Court, but, so long as the right exists, even though the Court decides not to exercise the right, the plaintiff may sue in equity. Under similar circumstances, this Court retained jurisdiction in *Atlantic Works vs. Brady*, 107 U. S., 192. The matter of jurisdiction is not (even if it could be) affected by the Act of 1910, for the present suit was brought long before the Act was passed.

We shall not, in this brief, enter upon a detailed discussion of the authorities showing the situation existing prior to the passage of the Act of 1910; that, as we understand, is exhaustively dealt with in the briefs in *Marconi vs. Simon*, which is set for argument immediately preceding the present case. We shall here merely outline that situation, and apply the law to the particular facts here presented.

The Act of 1910 and its Relation to the Present Case.

The Act, which is quoted at page 2, *supra*, is entitled an Act "to provide additional protection for owners of patents."

What was the extent of protection afforded to owners of patents *prior* to this Act—the protection which was to be increased or broadened by the *additional* protection provided by the Act?

Any and every private person and corporation infringing a patent was liable to suit and, as a result of such suit, might be enjoined and compelled to account to the patent owner for profits and damages resulting from the infringing acts. It was immaterial, in this regard, for what purpose the infringing articles were being made, whether for the ultimate uses of the infringer or whether the infringer was manufacturing the article for sale to the Government. Even officers of the Government were liable to such suits and were liable to account for any personal profits made in the infringing transaction (See *Atlantic Works vs. Brady*, 107 U. S., 192; *Belknap vs. Schild*, 161 U. S., 10, and cases there cited).

So patent owners were already fully protected as against the infringing acts of individuals and private corporations. The Act of 1910 was not to deprive patent owners of all or any part of that measure of protection—any infringer who might formerly have been sued may still be sued—but some additional and further protection was to be afforded, as the Act specifically provides.

It has long been settled that the Sovereign—the Government—may not be sued without its consent. Prior to the passage of the Act of 1910, there was only one class of cases in which the Government had consented to be sued, namely, cases on contracts, expressed or implied, in which instances suit could be brought in the Court of Claims under the Act

of March 3, 1887, Chapter 359, which provided that the Court of Claims shall have jurisdiction to hear and determine

"all claims * * * upon any contract, expressed or implied, with the Government of the United States, or for damages, liquidated or unliquidated, *in cases not sounding in tort*, in respect of which claims the party would be entitled to redress against the United States either in a court of law, equity, or admiralty if the United States were suable."

But the Government had not consented and was therefore not liable to suit in any cases sounding in tort. If the Government infringed a patent, the owner of the patent was without protection, for he had no means of enforcing his exclusive rights as against the Government.

It was to remedy this situation, and to give to patent owners compensation, as some measure of protection, in instances of infringement by the Government, that the Act of 1910 was passed. That this was the purpose of the Act is disclosed in the Report of the Committee on Patents of the House (Report No. 1288, 61st Congress, 3rd Session) :

"The purpose of this bill is to enlarge the jurisdiction of the Court of Claims, so that such Court may entertain suits against the United States for *infringement, or unauthorized use of a patented invention.*

* * * * *

"Our only purpose is to extend the jurisdiction of that Court so that it may entertain suits and award compensation to the owners of patents in cases where the use of the invention by the United States is *unauthorized and unlawful*; in short, *to give the Court in patent cases, in addition to the jurisdiction it now has in matters of contract, jurisdiction in cases of tort.*"

Thus the Act of 1910 confers on the Court of Claims jurisdiction in instances in which the Government invades the rights of an individual by unauthorized and unlawful acts. It relates solely to obtaining, *from the Government, compensation*

tion for unlawful acts—*infringing acts*. It does not even purport to deal with unlawful acts of others than the Government; the status of such others is left precisely as it was before. But now *the Government* may be called upon to account for *its* unlawful acts, and thus the owners of patents are afforded additional protection.

The Act, in terms, provides only for the situation arising when a patent "shall hereafter be used by the *United States*" and only when it is so used "*without license* of the owner thereof *or lawful right* to use the same. The Government *acquires* nothing by the Act; *its* rights are not enlarged. Prior to the passage of the Act it could use the inventions of any and all patents, and could freely do so—not because it had a right, but because the patent owner had no remedy. The Government previously had nothing which it could convey to others, such as a license; those contracting to make articles for it were always liable to suit. It has by the Act of 1910 acquired nothing—it has merely consented to a liability.

That is, if it shall be proved in the Court of Claims that the patent owner's patent is valid and that the Government has infringed—which means that the Government has been a wrongdoer—it shall pay to the patent owner "reasonable compensation." It, by this Act, incurs a liability to the patent owner which it never before acknowledged, and to this extent the Act provides additional protection to patentees.

Whatever the Government may do, in the utilization of a patent owner's property, will not be done by virtue of this Act, for it at all times could have used and often did use patented inventions. But *now*, when it does that same thing, acting without license or lawful right, it must compensate the patent owner. It always committed a wrong when it became an *infringer*; it still does so. Patentees have, by the Act, acquired a *remedy* for that wrong. The wrong is still a wrong and has not been converted into a right.

To say, as has been said by the defendant in this case (see page 3, *supra*), that the Government, by virtue of this Act, "acquired a license", is to read the Act as one conferring rights which had not previously existed. No one would intimate that, prior to the Act, the Government had any license (except when licenses were granted expressly or by implication in individual transactions) and yet there was absolutely nothing to prevent the Government from using any patent property it chose. It was free from liability to suit and that, as between *individuals* is what a license amounts to—an individual who is not liable to suit on a patent is a licensee, the freedom from suit arising from some relation between the parties with reference to the subject matter of the patent. The Government's situation was, however, different from that of an individual; it was free from suit not because it had acquired any rights under the patent, but because the Sovereign could not be sued without its consent, and no consent to suit in such cases of infringement existed prior to the Act. By that Act, the Government has consented to be sued for its infringement acts—its acts committed without license or lawful right. It, obviously, is far removed from the position of a licensee for, if it were a licensee, its utilization of the invention would not be "without lawful right"; it would in fact be a licensee and compensation could be recovered from it by a suit to be brought under the license in the Court of Claims under the older Acts, not the one of 1910. And, if a licensee, it could not deny the patent owner's title, nor the validity of his patent.

See

Harvey Steel Co. vs. United States, 116 U. S., 310, 315.

Holmes vs. McGill, 108 Fed. Rep., 238, 244.

Kinsman vs. Parkhurst, 18 How., 289.

But, by the terms of the Act of 1910 the Government may, in a suit under that Act, "avail itself of any and all defenses general and special" which might be pleaded by a private

individual who is an infringer. This is absolutely inconsistent with the position of a licensee.

Clearly, from the foregoing, the provisions of the Act apply only to instances in which the Government is a wrong-doer—operating “without license * * * or lawful right.” It acquires by the Act no rights whatever, but only a liability; it ceases to escape liability by no longer insisting upon its former immunity from suit for wrongs committed by it.

For similar reasons, the defendant in the present case is wrong in insisting, as it does in its objection quoted at page 3, *supra*, that the Act of 1910 is an Act of “eminent domain.” The acquisition of title to property by eminent domain involves and presupposes the existence of title in the person from whom the property is taken and an obligation to make compensation. The Act of 1910 cannot possibly be an Act of eminent domain, for the reason that it does not recognize any right and title in the person claiming compensation nor any obligation to pay; on the contrary it specifically provides that the Government may deny that the claimant owns the patent and may deny the validity of the patent and deny that any compensation whatever is due.

It all comes back to the fundamental proposition that the Government acquired, by the Act, no rights whatever, but only consented to the enforcement, as against it, of a liability; it agrees to make compensation for wrongs committed, wrongs which it previously could commit without making any compensation.

If the Government acquired any *rights* to make use of patented inventions (as it does not by the Act of 1910) it would to that extent be limiting the right which it purports to grant in the issuance of patents—namely, the right to exclude all others, including the Government, from the use of the invention. That would introduce a substantial change in the patent law, and not merely the introduction of a remedy for an invasion of that

right, which is all that is in fact introduced by the Act of 1910. Any such change in the substantive law would have been enacted as such, as was done in the case of the only limitation of which we are aware on the exclusive character of the grant in connection with the issuance of patents, namely, in the Act of March, 1883 (22 Stat., 625; Supp. Rev. Stat., p. 420), as follows:

"The Secretary of the Interior and the Commissioner of Patents are authorized to grant any officer of the Government, except officers and employees of the Patent Office, a patent for any invention of the classes mentioned in Section forty-eight hundred and eighty-six of the Revised Statutes when such invention is used or to be used in the public service, without the payment of any fee; Provided, That the applicant in his application shall state that the invention described therein, if patented, *may be used by the Government, or any of its officers or employees in the prosecution of work for the Government, or by any other person in the United States, without the payment to him of any royalty thereon, which stipulation shall be included in the patent.*"

This exception, allowing the United States Government to use certain inventions, was something which by law is to be written on the face of every patent, and is thus to be expressed as a part of the grant that is made. If it were ever intended by Congress that the United States should, as a part of the substantive law, have the right to use not only the inventions of officers in its employ, but also the inventions of any other persons who may obtain patents, that intent would have been expressed by a further amendment of Section 4886, thus diminishing the exclusive right of the patent owner to the extent of the right reserved to the Government for its own use.

Contrast any such Statute with the Act of 1910. The latter obviously confers no rights on the Government and lessens none of the patent owner's rights. The patent owner

always had the right to exclude the Government and all others from the use of his invention.

Belknap vs. Schild, 161 U. S., 10, it is said that—

"this Court has repeatedly and uniformly declared that the United States have no more right than any private person to use a patented invention without license of the patentee, or making compensation to him" (citing many cases).

But the patent owner had no protection against the Government's invasion of that right; he had a right but no remedy. He still cannot prevent the Government from invading his rights (the situation in that respect is not changed at all) but the Government now makes compensation for the wrong committed.

The defendant in the present case is not the Government nor is it acting in any public capacity. It is a private corporation, carrying on business for its own account and profit.

There can be no question but that the defendant must account to the plaintiffs with reference to infringements committed prior to the Act of 1910; in fact the defendant *is* accounting for the infringing engines which it made and installed on destroyers sold to the Government prior to the passage of the Act—no issue here arises as to those engines. If it is not to account for its profits made on similar infringing engines sold to the Government since the Act of 1910, it can be only because, by virtue of that Act, the Government acquired under the plaintiff's patent some rights which it can and did pass on to the defendant.

But it is clear that the Government acquired no rights whatever, but only recognized a liability, through the Act of 1910. The plaintiffs may now sue the Government in the Court of Claims and recover from it "reasonable compensation" for the unlawful use "by the United States", as provided by the Act. But is the defendant to be permitted to retain the profits which it made from manufacturing and sell-

ing the infringing engines? Those *manufacturing and selling* profits belong to the plaintiffs, as well as compensation for the use. A patent confers on a patentee the exclusive right "to make, use and vend the invention"; these are separate and distinct rights, so recognized by the Courts for more than a hundred years. See

Bauer vs. O'Donnell, 220 U. S., 1, 10.

Hosekden vs. Ogden, 3 Fisher, 378.

It may well be that the principal advantages to be derived from the plaintiffs' patented invention are to be found in the manufacture rather than in the use of the engines. If the Government itself had manufactured the engines as well as used them, complete compensation might be obtained by a suit in the Court of Claims under the Act. But that is not the situation here; the engines were made by the defendant, a private manufacturer, which has been paid the profit it made by reason of its infringement of the plaintiff's patent. That profit cannot be recovered from the Government in a suit in the Court of Claims—and certainly the defendant is not entitled to retain it.

If the Government, by the Act of 1910, acquired no rights (as it did not) it obviously could convey no rights to the defendant. Its use of the plaintiffs' patent property is "without license—or lawful right", and so are the acts of the defendant.

It is clear from a consideration of the contract under which the defendant was to make the destroyers in question, that the Government recognized that it was acquiring no rights under patents, and conferring no rights on the defendant. So far as the record shows, the *Ship Building Company* was at liberty to propose non-infringing engines.

The Government realized, however, that possibly the defendant's engines might infringe some patents, for it provided in the contract as follows (Rec., p. 35):

"The party of the first part [the Ship Building Com-

pany] in consideration of the premises, hereby covenants and agrees to hold and save the United States harmless from and against all and every demand or demands of any nature or kind for or on account of the adoption of any plan, model, design or suggestion, or for or on account of the use of any patented invention, article or appliance that has been or may be adopted or used in or about the construction of said vessel or any part thereof, under this contract, and to protect and discharge the Government from all liability on account thereof, or on account of the use thereof, by proper releases from patentees and by bond if required, or otherwise, and to the satisfaction of the Secretary of the Navy."

This is entirely inconsistent with the idea of appropriating any *rights* under patents. And it is interesting to note that the foregoing clause is precisely, word for word, the same as Paragraph Seventh of the contracts under which destroyers Nos. 30 and 31 were constructed, those being the contracts upon which evidence of infringement was based in this case.* They were entered into long *prior* to the passage of the Act of 1910, and the retention of this old form of guarantee clause in the contract is clear evidence that the parties to the contract did not consider that any rights were conferred on the Government by the Act of 1910, but that, on the contrary, the use of patented inventions was still the wrongful act which it always had been.

**The Decision of this Court in Crozier vs. Krupp,
224 U. S., 290.**

It is clear from this decision that we are correct in stating, as we have in the foregoing pages, that the Act of 1910 did not in any way diminish the rights and remedies of patent

* The contract referred to appears at page 779 of Vol. II of the Record in this Court in Case No. 1622, October Term 1912, *Wm. Cramp & Sons vs. Curtis Turbine Company*, 228 U. S., 645.

owners as against private individuals and corporations making a personal profit from infringing transactions, but dealt entirely with affording to patentees additional protection as against acts of the Government committed without lawful right.

The suit was brought by Krupp to enjoin Crozier, an ordinance officer of the Government, from making guns covered by certain patents, and hence was a suit against an officer of the Government and not against a private manufacturer. A stipulation was entered into to the effect that the Government was making the guns referred to in the bill of complaint, and that the defendant, in his official capacity only, was in charge of and directing such manufacture, and had gained no pecuniary advantage from his acts ; and there was a *specific waiver of any claim for profits and damages*. When the case came to this Court, *the only relief asked was a permanent injunction against an officer of the Government restraining him from making the infringing guns at the Government's arsenal.* (See 224 U. S., at page 308.)

Crozier was not a private individual making a personal profit ; he was merely engaged in carrying on Government work in the regular course of his public duties.

This Court, referring to the Act of 1910, said (p. 303) :

“ The text of this statute leaves no room to doubt that it was adopted in contemplation of the contingency of an infringement suit by the assertion of a patentee that *rights secured to him have been invaded* for the benefit of the United States by one of its officers, that is, that such officer, under the condition stated, had infringed a patent.

“ The enactment of the statute we think grew out of the operation of the prior statute law concerning the right to sue the United States for the act of an officer in *infringing a patent*, as interpreted by repeated decisions of this Court.”

The Court then refers to the prior decisions, which established the rule that the United States Government or its officers could not be sued for damages and profits and could not be restrained from unlawful use of an invention where an injunction would interfere with the activities of the United States, and said :

“ Evidently inspired by the injustice of this rule as applied to rights of the character of those embraced by patents because of the frequent possibility of *their infringement by the acts of officers* under circumstances which would not justify the implication of a contract, the intention of the statute to create a remedy for this condition is illustrated by the declaration in the title that the statute was enacted ‘ to provide additional protection for owners of patents.’ ”

Continuing on the same subject, this Court said (p. 304) :

“ That is to say, it adds to the right to sue the United States in the Court of Claims already conferred when contract relations exist the right to sue even although no element of a contract is present. * * * These results of the statute are obvious consequences of the power which it confers upon the patentee to seek redress in the Court of Claims for *any injury* which he asserts may have been inflicted upon him by the *unwarranted use* of his patented invention and the nature and character of the defenses which the statute prescribes may be made by the United States to such suit when brought * * *.

“ This being the substantial result of the statute, it remains only to determine whether its provisions are adequate to sustain and justify giving effect to its plain and beneficial purpose to furnish additional protection to owners of patents when *their rights are infringed* by the officers of the Government in the discharge of their public duties.”

It will be noted that this Court, throughout the opinion in

the Crozier case, treats the making and use by the United States as an illegal, unlawful and infringing act.

The *decision* of this Court in the Crozier case was simply to the effect that an officer of the Government could not be enjoined under the facts and circumstances existing in that suit. The defendant, there, was an officer of the Government, so the suit was in effect against the Government itself. The Government never could be enjoined, even under the law as it existed prior to the Act of 1910, for it had never consented to any such action as against it; nor has it so consented by the Act of 1910. That Act, however, states the only procedure and the only remedy as against the Government in cases of wrongful acts by the Government, and this Court held that Krupp must follow that procedure and be content with that prescribed remedy.

It seems clear to us that the Court did not decide that the rights and remedies of the patent owner as against private individuals making a private profit have been in any way altered by the Act, but merely that suits based on infringement by a Government officer acting solely in his public capacity and for the public benefit, can no longer be brought against that officer. The Government, by the Act of 1910, has assumed responsibility for *his wrong*. This Court said (p. 305) :

"The adoption by the United States of *the wrongful act of an officer* is of course an adoption of the act when and as committed, and causes such act of the officer to be, in virtue of the statute, a rightful appropriation by the Government, for which compensation is provided."

That is, the wrongful act of the officer is committed by the authority of the Government, and it ceases to be wrongful so far as the officer is concerned; the Government assumes responsibility and, by virtue of the Act of 1910, recognizes its liability.

We do not understand that this Court held that the Government's wrong became a right by the Act of 1910, though "in substance," as the Court says immediately following the last quotation we have made from the opinion, it is in the position which, as between individuals, would be the equivalent of that of a licensee in that its appropriation of a patented invention cannot be stopped. It is in this sense and this sense only that we understand the Court's reference to eminent domain and to the "appropriation of a license." Those expressions are used only when considering the situation "in substance"—"looking at the substance of things"—"the substantial result of the statute." They are illustrative of the situation rather than descriptive of the legal situation. The Government had and has a right to make use of patented inventions and of any other private property in the sense that it has *the power* to do so, and cannot be prevented from exercising that power, as it has never consented to any limitation thereon.

This Court now, however, has before it a very different case. *Here* the defendant, a private corporation, has made a personal profit from its infringement of the plaintiff's patent rights. The plaintiff now seeks to recover from *it*—not from the Government—that personal profit unlawfully obtained. No such situation was presented in *Crozier vs. Krupp*.

Other Reported Decisions Involving the Act of June 25, 1910.

This Act has been construed not only by this Court in *Crozier vs. Krupp*, discussed *supra*, but also in the case of *Marconi vs. Simon* (227 Fed. Rep., 906 and 231 Fed. Rep., 1021) and in the case of *Firth Sterling Steel Co. vs. Bethlehem Steel Co.*, 216 Fed. Rep., 755.

The decision in *Marconi vs. Simon* is the only one supporting the proposition that, as was said by Judge WARD in his dissenting opinion in that case, the Act of 1910 "made

the Government a licensee of the complainant patentee and that the defendant, in making the patented apparatus for a licensee, is not an infringer."

We respectfully submit, that the minority and not the majority of the Court in *Marconi vs. Simon* had the true view of the law, and that the decision of the Court of Appeals for the Second Circuit should be reversed for the reasons outlined in this brief and more completely developed in the brief of the Marconi Company in its suit in this Court.

But this Marconi case is clearly distinguishable from the case at bar, for the decision in that case indicates that the United States Navy Department, of its own initiative, undertook to infringe the patent by preparing plans and specifications embodying the invention and inviting bids thereon which could not be complied with without infringing. In this connection Judge HOUGH, sitting in the District Court in New York, said (227 Fed. Rep., 906) :

" Certain officers of the United States Navy drew plans and specifications for part of a radio apparatus which it was *physically impossible to comply with without infringing* (outright or by contribution) the aforesaid patent of the plaintiff. Duly authorized governmental authority then invited bids upon said plans and specifications. All bidders, as well as the draughtsmen of said plans and specifications, *were well aware of the existence of plaintiff's patent* and there must be conclusively imputed to them an intention to infringe or at least to perform acts which would constitute infringement in a private person." * * *

" Viewed without regard to the Act of 1910, certain officers of the government deliberately committed the United States to an infringement of private rights; *i. e.*, an appropriation of private property. Pursuant to this intent *they invited private citizens to assist* in the contemplated infringement, and Simon consented to aid by manufacturing a compact and well arranged infringing article."

That is, if the Government could by such a contract take and appropriate a right to have a private manufacturer make a patented device for it, it clearly did so for the benefit of Simon.

In the case at bar, however, the Government did not, so far as appears, prescribe the use of infringing engines in its call for bids—non-infringing engines might, as far as is shown by this Record, have satisfied its needs just as completely. And the contract which the Government made with the Ship Building Company on accepting its bid clearly shows that the Government did not intend to take any licenses (See p. 16, *supra*). There is no evidence, as in *Marconi vs. Simon*, that the Government officers “invited private citizens to assist in the contemplated infringement.” There is not even any evidence that the Government officers knew of the plaintiff's patent or supposed it would be infringed by the Ship Building Company's proposals.

But irrespective of this distinction, the decision in *Marconi vs. Simon* seems wrong in principle. As Judge WARD points out, in his dissenting opinion (231 Fed. Rep., 1021), the Act does not create

“the relation of licensor and licensee between the Government and a patentee when the Government claimed to be acting within its rights, but merely to give the patentee what the title of the Act correctly describes as additional protection, *viz.*, a remedy under a tortious taking under a claim of right. * * * Nor do I think that Congress intended to take away from patentees the right of suing independent contractors with the Government. The case of officers of the Government stands on a different ground because suing them is tantamount to suing the sovereign.”

If the relation of licensor and licensee were created, then, under the familiar doctrine, the licensee could not contest the validity of the patent, yet the Act gives the Government that

right showing clearly that it did not intend to establish that relation.

Moreover, as Judge WARD points out :

"A taking of property by eminent domain is an admission that the Government is not the owner of the property and a promise to pay the owner is therefore implied. For such a taking by the Government a patentee had previous to 1910 a right to recover in the Court of Claims, U. S. Rev. Stat., Sec. 1059, and by the Tucker Act in the Circuit Court of the United States, Chap. 359, L. 1887.

"But the Act of June 25, 1910, provides for an entirely different situation, *viz.*, the Government's asserting its right to use the thing or process patented without the consent of the patentee. For this situation there had been no remedy for the patentee against the Government."

There had always been a remedy, however, against independent contractors with the Government, and there is nothing in the Act to take away this remedy. Judge HOUGH in his opinion admits this, but says (227 Fed. Rep., 906) :

"If the reason for the law fails, the law ought to fail with it; this maxim seems to me to apply very forcibly here. The reason for permitting action against Government contractors was that since infringement was a *tort*, and the United States had never consented to be sued in *tort*, the patentees were without remedy. Now they have such a remedy under the statute, and cannot take what the statute gives (or imposes) and retain what they had before if it interferes with Governmental enjoyment of its license."

It is submitted this argument is altogether unsound. The reason for permitting a patentee to sue private contractors was that the patent statutes gave him the same right to sue a contractor as to sue any other infringer, and as Judge DICKINSON said in *Firth Sterling Co. vs.*

Bethlehem Co., which we shall consider in a moment, Congress alone, and not the Courts, can except contractors with the United States from the operation of the patent laws. The right to recover profits and damages from infringing private contractors in no way interferes with the Government's use of the patented invention. If a contract involves Government secrets, which should not be disclosed to the public by taking evidence of infringement, the District Court is quite as competent to protect the Government, as is the Court of claims; especially since the Government, as Judge HOUGH points out, in *Marconi Co. vs. Simon*, may always intervene to become a party to the suit if it desires.

In *Firth Sterling Steel Co. vs. Bethlehem Steel Co.*, 216 F. R., 755 (District Court, E. D. of Penn.), the issue here presented was raised and adjudicated. That was a suit for infringement of a patent relating to projectiles for the manufacture of which the United States Government had contracted with the Bethlehem Steel Company. The contract was dated prior to June 25, 1910, the date of the Act of Congress. The plaintiff, to prove infringement, called a witness who testified that he had been in the employ of the Bethlehem Steel Company from June, 1909, until 1911, and that the Bethlehem Steel Company had manufactured some 2,000 projectiles of the infringing type, during that period. Hence there was in the case some evidence of infringement both prior and subsequent to the Act of June 25, 1910. In 1912 the defendant made a motion to dismiss the bill of complaint. The motion first came before Judge THOMPSON who held that he should not decide it at that time, but that it should be left until final hearing. The motion was again noticed for argument at final hearing, and formal notice thereof served upon the plaintiffs' solicitors and it was then argued extensively. The opinion of the Court must therefore be considered in the light of that motion. The motion was as follows:

"And now comes the defendant, the Bethlehem

Steel Company, by James A. Watson, its solicitor and moves the court to dismiss the bill filed in this case with proceedings had therein for the following reasons :

" The plaintiff's proofs relate to manufacture of projectiles by the defendant for the United States. The United States exercises the right of eminent domain as to patented inventions and especially over devices of vital importance to the military branches of the Government and its right to make such devices or to have such devices made for it, is not subject to restraint by this court. Hence the injunction asked by the complainant cannot be granted and this suit in equity cannot be sustained. The complainant has the right to sue the United States in the Court of Claims and recover in said court ' reasonable compensation ' for the taking of its property, and this is *its sole remedy for such alleged infringement of its rights.*

" Wherefore defendant prays that the bill and proceedings had thereon may be dismissed with costs to the complainant."

This motion obviously raised not only the question of plaintiff's right to an injunction, but also the right to an accounting for profits and damages. In support of the motion, counsel for the defendant urged that the United States Government had taken a license to manufacture these projectiles by the exercise of its powers of eminent domain, and that the Bethlehem Steel Co. was protected in manufacturing for such licensee. This, in substance, is the argument made by the Ship Building Company in the case at bar.

The Court, summarizing the defenses (216 Fed. Rep., 769), said :

" The defense is represented as summarized in six propositions. These we have condensed into three. They are : (1) The patent has not been infringed ; (2) The patent is invalid ; (3) *The patent can be infringed with impunity because the defendant has con-*

tracted with the War Department to infringe it." (The italics are ours.)

With respect to the third defense the Court said (216 Fed. Rep., 762) :

"Whether government use should be excepted from the exclusive proprietary rights given to the patentees is a policy for the consideration of Congress, not of the courts. The argument based upon the ruling in *Crozier v. Krupp*, 224 U. S., 290, 32 Sup. Ct., 488, 56 L. Ed., 771, ignores the distinction that the *right of action given by the act of 1910 against the government does not grant immunity to any private trespasser upon the rights of patentees*. The Bethlehem Steel Company and not the United States, is the defendant here, and to say that, because of the government use of these projectiles, the plaintiff is deprived of a remedy for wrongs done it is to confuse the power to issue writs of injunction with the exercise of the discretion of the courts in their issue. The distinction also between legal rights and particular forms of remedy, legal or equitable, should not be lost sight of. We cannot too clearly keep before us the thought that equitable relief is always of grace and never of right, unless given by act of Congress, as well as the thought that all legal rights are to be kept inviolate. The plaintiff can be accorded its full legal rights without in any way interfering with the work of the army or the navy. To attempt the latter would be an act of manifest folly. The decree allowed meets this view of the case."

This decree referred to in the last sentence provides as follows :

"That the plaintiff do recover of the defendant the profits, gains and advantages which the defendant has made or received or that have accrued to it by reason of its infringement of said letters patent since the date thereof and also the damages which the plaintiff has sustained by reason of said infringement to be assessed as provided by law."

The usual clause referring the cause to a Master follows.

It is to be noted that profits are to be assessed on all infringements since the date of the letters patent. There is no limitation of the recovery to acts committed prior to the Act of June 25, 1910.

Moreover, the United States was permitted to intervene in the suit and the Attorney General argued in substance that the Patent Statutes did not apply to inventions taken by the United States, that the only relief of a patentee for acts done by the United States, or by contractors for the United States, which would be infringements if committed by other persons, was by suit in the Court of Claims for a reasonable compensation. In considering this argument the Court said (216 Fed. Rep., 758, 759) :

"The defendant is manufacturing projectiles under a contract with the United States, who have been admitted to intervene in this proceeding. The government is properly concerned only with the fulfillment of that contract.

"We do not concede the right of the United States to maintain the further positions taken. They go in effect to the length of denying the extension of the patent laws to inventions for which the government may have use. Congress alone, and not the courts, can so limit them. The United States, considered as an individual as well as its citizenship as a whole, is concerned with the policy of stimulating the inventive genius of its people to the limit of their abilities. No real benefit is ever gained by withholding from any one his just rights. The remedies he is given are both legal and equitable. The former is of right; the latter of grace. The legal remedy is to accord him proper compensation for any use made of his property. This does not deprive the government of the use of any invention which may be demanded by the public needs. It merely accords to the individual just compensation, and this should not be withheld.

"The writ of injunction is to except from its operation any interference with the performance by the de-

fendant of its contract with the United States and its entering into like further contracts. *The decree for an accounting by the defendant may be made to secure the plaintiff in all its rights. The form of a decree, in accordance herewith, may be submitted.*"

It is interesting to note from the foregoing that the Courts can and do, under existing laws, so administer justice as between private parties as fully to protect the Governmental interests.

Notes on Petitioner's Brief.

The Petition states (p. 20) that "if the Government's status is that of an infringer, then, of course, it follows that defendant is open to suit as an infringer." The issue is clear cut. The Petitioner necessarily recognizes that, prior to the Act of 1910, the Government was an infringer when it used a patented invention in the absence of an agreement, expressed or implied, with the patent owner, but the Petitioner assents that, by virtue of that Act, the Government acquired rights analogous to those of a license. Our position is that its status has not been in any way altered by the Act; it is an infringer and wrongdoer now when it commits the same acts that, when committed prior to the Act, made it an infringer. It has merely waived its immunity from suit. Its status was and is that of an infringer.

This seems obvious from the Act itself which provides only for instances in which the Government has acted "without license—or lawful right." The Act does not purport to authorize the Government's use of inventions, but provides compensation for what is recognized to be unlawful. And the decision of this Court in *Crozier vs. Krupp* recognizes and emphasizes the *unlawful* character of the acts involved in the Government's use of patented inventions (see pages 18-20 *supra*). All that was decided in that case was that an in-

junction could not issue against the Government officer. No injunction is asked in the present case.

The Petitioner, however, rests its whole case on the further remarks of this Court in the opinion of *Crozier vs. Krupp*—remarks which, as specifically stated, were used in a illustrative sense rather than in an attempt to define the legal situation (see pages 20-21, *supra*). They are not applicable to the state of facts here presented.

We do not contend that the Government may not appropriate patented property, as we recognize that such property stands on no higher footing than "an automobile, or a yacht, or real estate, when the needs of the public require the appropriation of such property" (Petitioner's Brief, p. 41). But what we do insist is that it stands on no *lower* footing. When the Government appropriates real estate, by eminent domain, it cannot and does not deny that there *is* some real estate and that it is held under an outstanding, adverse valid title in some one, and that compensation must be paid. But, in the present case, the Petitioner urges in effect, that the Government may take the plaintiffs' invention and deny the title to and validity of the patent (which has been issued by its Patent Office and sustained by its highest appellate court in patent causes) and may, in the end, make no compensation whatever.

Nor is it necessary for our argument to assert that Congress *cannot*, under the Constitution, specify that less than *exclusive* rights shall be granted by a patent, namely, that the Government shall not be subject to the exclusion (see page 49 of Petitioner's brief). Our point is that Congress *has not* done so. Surely, if Congress had intended to do this it would have used words aptly and unqualifiedly expressing that intent, instead of merely waiving the Government's immunity from suit as an infringer, which is obviously all that is provided for in the Act of 1910.

The plaintiff's patent has been held by the Circuit Court of Appeals to be valid and to be infringed by the defendant, a private corporation making its own private profit. It clearly is not entitled to retain that profit. It belongs, under the provisions of Section 4921 of the Revised Statutes, to the plaintiffs and the accounting should proceed to determine the amount of that profit.

Respectfully submitted,
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